

Income and Expenditure Account for the Year Ended 31 March 2009

Cost of Services	Note	2008/2009			Restated
		Gross Expenditure £	Gross Income £	Net Expenditure £	2007/2008 Net Expenditure £
Continuing Services					
Central Services					
Corporate and Democratic Core		9,680,190	4,018,475	5,661,715	14,627,191
Central Services to the Public		33,790,846	28,451,455	5,339,391	5,466,305
Other Operating Income and Expenditure		7,308,991	7,369,507	(60,516)	137,564
Court Services		771,519	65,222	706,297	514,390
Cultural, Environment and Planning Services					
Cultural and Related Services		46,535,048	13,380,226	33,154,822	29,642,532
Environmental Services		31,771,393	10,315,278	21,456,115	18,396,579
Planning and Development Services		31,983,904	17,814,778	14,169,126	8,731,472
Children's and Education Services					
Education Services		287,160,290	240,414,519	46,745,771	46,036,383
Children's Social Care		35,471,196	3,687,960	31,783,236	28,153,470
Highways, Roads and Transport Services		31,932,409	10,771,372	21,161,037	17,756,211
Housing Services		121,009,733	116,209,242	4,800,491	3,284,553
Adult Social Care		108,155,463	40,016,381	68,139,082	60,111,852
Non Distributed Costs		13,096,325	3,328,998	9,767,327	8,510,988
Exceptional Item - Insurance Provision		27,936	595,556	(567,620)	(1,284,615)
Exceptional Item - Equal Pay Provision		0	0	0	(305,427)
Net Cost of Continuing Services		758,695,243	496,438,969	262,256,274	239,779,448
Discontinuing Services					
Connexions Tyne and Wear		0	0	0	607,652
Net Cost of Services		758,695,243	496,438,969	262,256,274	240,387,100
Loss/(Gain) on the Disposal of Fixed Assets		301,558	0	301,558	39,318,000
Impairment of Landfill Allowances	36	227,520	0	227,520	417,424
Parish Council Precepts		50,268	0	50,268	48,804
Levies		18,109,925	0	18,109,925	17,633,143
(Surpluses) / Deficits on Trading Undertakings not included in Net Cost of Services	2	37,910	550,849	(512,939)	(54,143)
Interest Payable and Similar Charges		8,544,017	0	8,544,017	9,775,319
Contribution of Housing Capital Receipts to Government Pool		53,517	0	53,517	62,577
Interest and Investment Income		0	11,380,448	(11,380,448)	(12,475,539)
Pension Interest Cost and Expected Return on Pension Fund Assets	8c	15,190,000	0	15,190,000	6,120,000
Net Operating Expenditure		801,209,958	508,370,266	292,839,692	301,232,685
Demand on the Collection Fund		0	91,700,867	(91,700,867)	(88,288,757)
General Government Grants	16	0	44,162,322	(44,162,322)	(20,609,806)
Non-Domestic Rates Redistribution		0	132,944,980	(132,944,980)	(120,982,887)
(Surplus) / Deficit for the year		801,209,958	777,178,435	24,031,523	71,351,235

Statement of Movement on the General Fund Balance for the Year Ended 31 March 2009

The General Fund balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The Income and Expenditure Account however shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. The SORP requires the authority to reconcile the Income and Expenditure Account with the Movement on General Fund Balance, (which is based on a different accounting basis). The main accounting differences are:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government is treated as a loss in the Income and Expenditure Account, but is met from usable capital receipts rather than Council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The reconciliation statement therefore summarises the differences between the outturn (Surplus of Deficit) the Income and Expenditure Account and the General Fund Balance.

	Notes	2008/2009 £	Restated 2007/2008 £
Deficit / (Surplus) for the year on the Income and Expenditure Account		24,031,523	71,351,235
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance for the year	20	(23,746,784)	(69,383,265)
Reduction in General Fund balance for the year		284,739	1,967,970
General Fund balance brought forward		(17,608,945)	(19,576,915)
General Fund balance carried forward		(17,324,206)	(17,608,945)
Amount of General Fund balances held by schools under local management schemes	5	5,770,795	5,601,315
Amount of General Fund balances generally available for new expenditure	48	11,553,411	12,007,630
		17,324,206	17,608,945

Statement of Total Recognised (Gains) and Losses (STRGL) for the Year Ended 31 March 2009

	Notes	2008/2009 £	Restated 2007/2008 £
Deficit for the year on the Income and Expenditure Account		24,031,523	71,351,235
Actuarial (gains) / losses on pension fund asset and liabilities	21	185,460,000	(86,230,000)
Surplus arising on revaluation of fixed assets	22	68,022,169	237,206,238
Other (gains) / losses required to be included in the STRGL	23	11,870,337	366,428
Total recognised losses for the year		289,384,029	222,693,901

Balance Sheet as at 31 March 2009

	Notes	31 March 2009		31 March 2008 (Restated)	
		£	£	£	£
Tangible Fixed Assets					
Operational Assets	24				
Land and Buildings		684,582,198		771,846,807	
Infrastructure		190,925,621		187,247,555	
Vehicles, Plant, Furniture and Equipment		30,736,206		26,309,178	
Community Assets		0		0	
Non Operational Assets	24				
Investment Properties		40,141,372		44,747,303	
Assets Under Construction		80,285,576		27,694,466	
Assets Held For Disposal		87,828,000	1,114,498,973	99,734,101	1,157,579,410
			1,319,956		1,145,476
Intangible Assets	26				
Total Fixed Assets			1,115,818,929		1,158,724,886
Long Term Investments	27a		31,524,554		17,630,116
Long Term Debtors	28 to 33		22,720,961		23,571,777
Total Long Term Assets			1,170,064,444		1,199,926,779
Current Assets					
Short Term Investments	27b	135,109,765		189,406,351	
Stocks and Stores	34	970,087		1,357,030	
Work In Progress		1,123,681		400,315	
Debtors	35	40,579,651		39,576,582	
Landfill Usage Allowance	36	3,651,084		3,878,604	
Cash - School Bank Accounts		1,063,569		1,549,882	
Cash in Hand - Imprests		785,205	183,283,042	870,844	237,039,608
Current Liabilities					
Short Term Borrowing		(32,241,271)		(35,110,213)	
Creditors	37	(84,484,029)		(84,505,077)	
Liability to DEFRA - Landfill Usage	36	(3,651,084)		(3,651,084)	
Cash Overdrawn	38	(11,426,983)	(131,803,367)	(17,086,306)	(140,352,680)
Net Current Assets			51,479,675		96,686,928
Total Assets Less Current Liabilities			1,221,544,119		1,296,613,707
Long Term Liabilities					
Long Term Borrowing	39	(139,092,938)		(169,172,653)	
Grants and Contributions Deferred Account	40	(223,957,728)		(165,058,729)	
Liability Relating to defined Pension Scheme	41	(428,930,000)		(243,820,000)	
Insurance Provision	42	(3,268,480)		(3,488,906)	
Other Provisions	43	(5,040,258)	(800,289,404)	(4,434,675)	(585,974,963)
Total Assets Less Liabilities			421,254,715		710,638,744
Reserves					
Revaluation Reserve	44	131,449,749		203,612,550	
Available-for-Sale Financial Instruments Reserve		0		0	
Capital Adjustment Account	45	561,274,739		591,975,164	
Deferred Credits	46	2,685,450		3,243,288	
Usable Capital Receipts Reserve	47	6,424,538		12,796,832	
Available for Sale Reserve (Newcastle Airport)	27a	1,503,168		12,608,730	
Pensions Reserve	41	(428,930,000)		(243,820,000)	
Insurance Reserve		5,384,156		6,449,164	
General Fund Balance - LMS Schools Reserve	48	5,770,795		5,601,315	
General Fund Balance - General Reserve	48	11,553,411		12,007,630	
Delegated Budgets Reserve	49	11,499,435		7,874,424	
Financial Instruments Adjustment Account	51	(441,571)		(380,457)	
Capital Reserves	52	25,234,973		16,316,432	
Revenue Reserves	52	87,699,493		81,442,518	
Collection Fund	64 to 68	146,379		911,154	
Total Net Worth			421,254,715		710,638,744

Cash Flow Statement for the Year Ended 31 March 2009

	Notes	2008/2009		2007/2008 (Restated)	
		£	£	£	£
Net Cash Flows from Revenue Activities	58		(18,045,127)		(32,326,306)
Dividends from Joint Ventures and Associates					
Cash Inflows					
Dividends Received			(204,208)		0
Return on Investments and Servicing of Finance					
Cash Outflows					
Interest Paid		8,544,017		9,775,319	
Cash Inflows					
Interest Received		(11,176,168)	(2,632,151)	(12,475,539)	(2,700,220)
Capital Activities					
Cash Outflows					
Purchase of Fixed Assets		98,843,197		53,607,652	
Purchase of Long Term Investments		30,000,000		5,000,000	
Other Capital Cash Payments		53,517	128,896,714	717,519	59,325,171
Cash Inflows					
Sale of Fixed Assets		(1,174,442)		(4,079,449)	
Capital Grants Received		(84,280,671)		(54,625,713)	
Other Capital Cash Receipts		(5,844,379)	(91,299,492)	(58,959,887)	(117,665,049)
Acquisition and Disposals					
Cash Inflows					
Receipts on Long Term Loan Notes			(455,178)		(455,178)
Net Cash (Inflows) / Outflows before Financing	62		16,260,558		(93,821,582)
Management of Liquid Resources					
Net Increase / (Decrease) in Short Term Deposits	60	(54,296,586)		96,903,236	
Net Increase / (Decrease) in Other Liquid Deposits	60	0	(54,296,586)	0	96,903,236
Financing					
Cash Outflows					
Repayment of Amounts Borrowed	61	58,341,552		1,360,961	
Cash Inflows					
New Loans Raised	61	(2,680)		(1,980)	
New Short Term Loans	61	(25,390,215)	32,948,657	(2,879,655)	(1,520,674)
Increase / (Decrease) in Cash	59		(5,087,371)		1,560,980

Notes to the Core Financial Statements

Note 1 – Prior Year Adjustment to the previous years Statement of Accounts (2007/2008)

a) FRS17

The Accounting Standards Board (ASB) published an Amendment to Financial Reporting Standard 17 (FRS17) 'Retirement Benefits' on 7 December 2006, following an Exposure Draft issued in May 2006. The amendment is effective for accounting periods beginning on or after 6 April 2007. The Chartered Institute of Public Finance and Accounts (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2008 (A Statement of Recommended Practice) now incorporates this change.

The key changes introduced by the Amendment are as follows:

- Disclosures show separate reconciliations of liabilities and assets from the prior year. This requirement means that the disclosures are now consistent with those reported under International Accounting Standard 19 (IAS19).
- Disclosure of the principal actuarial assumptions used at the balance sheet date, which includes disclosure of mortality rates.
- Unfunded liabilities should be separately disclosed.
- The fair value of asset comprises the bid value for quoted securities, rather than the mid market value. This is also in line with requirements of (IAS19).

The 2007/2008 comparative figures have been amended and restated to take into account the above changes, in line with guidance issued in CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2008 (A Statement of Recommended Practice) (SORP 2008). So that the required changes in 2008/2009 can be compared to the previous year's accounts.

b) Representation of Cash Flow Statement

In line with SORP 2008 the Council has adopted the indirect method of formulating the cash flow statement, whereby the net cash flow from revenue activities is derived by means of a reconciliation from the surplus or deficit on the Income and Expenditure Account for the year as apposed to the direct method, whereby major classes of cash receipts and gross cash payments are disclosed. The 2007/2008 comparative cash flow statement has been restated to reflect this change.

Notes to the Core Financial Statements (Continued)

Notes to the Income and Expenditure Account

Note 2 – Trading Services

The Council is required to publish the financial results of services in operates on a trading account basis. The cost of the former DLO activities are categorised into General Highways and Civic Buildings Maintenance activities. The trading results in relation to 'Other Activities' for the former DLO are now reported as part of either General Highways or Education and Civic Buildings, depending upon the nature of work undertaken. The results for 2008/2009 are shown below:

	2008/2009			2007/2008		
	Expenditure	Income	Net Expenditure	Expenditure	Income	Net Expenditure
City Print Services	2,186,346	2,164,837	21,509	1,880,314	1,916,815	(36,501)
City Stores	287,828	287,828	0	1,083,043	924,442	158,601
General Highways	5,584,418	5,864,537	(280,119)	5,291,789	5,327,792	(36,003)
Education and Civic Buildings Maintenance	8,582,035	8,852,765	(270,730)	9,579,537	9,668,752	(89,215)
Networking Services	265,276	248,875	16,401	231,002	282,027	(51,025)
	16,905,903	17,418,842	(512,939)	18,065,685	18,119,828	(54,143)

Notes to the Core Financial Statements (Continued)

Note 2 – Trading Services (Continued)

The Income and Expenditure Account also includes various trading activities under service income and expenditure, the financial results of which were as follows:

	2008/2009			2007/2008 Restated		
	Expenditure £	Income £	Net Expenditure £	Expenditure £	Income £	Net Expenditure £
Retail Market	278,042	445,311	(167,269)	245,820	468,566	(222,746)
Industrial Estates	4,444,387	3,197,378	1,247,009	1,628,368	1,960,716	(332,348)
Miscellaneous Land and Properties***	16,379,918	4,299,950	12,079,968	11,174,677	3,170,833	8,003,844
Building Regulations (See Note 12, Page 57)	731,386	734,300	(2,914)	824,060	806,293	17,767
Building Control (See Note 12, Page 57)	298,735	14,972	283,763	191,506	18,122	173,384
Car Parks (Civil Parking Enforcement)*	938,819	387,289	551,530	728,249	257,968	470,281
Car Parks (Other)*	2,304,443	1,957,114	347,329	1,735,574	1,984,273	(248,699)
Cash in Transit Service	367,880	426,564	(58,684)	340,843	429,111	(88,268)
Refuse Collection	3,766,058	86,550	3,679,508	3,320,887	28,475	3,292,412
Other Cleaning	4,505,550	111,618	4,393,932	4,020,496	140,082	3,880,414
Grounds Maintenance	5,975,576	461,033	5,514,543	5,658,297	480,005	5,178,292
Leisure Management	8,103,409	4,679,249	3,424,160	7,665,199	4,409,450	3,255,749
Other Catering	500,079	462,408	37,671	487,140	434,349	52,791
Building Cleaning	4,248,209	2,962	4,245,247	4,180,032	140,101	4,039,931
School and Welfare Catering	6,357,628	573,108	5,784,520	6,299,353	1,259,575	5,039,778
Port of Sunderland**	4,623,749	3,578,121	1,045,628	4,510,959	3,689,337	821,622
Derwent Hill	1,351,002	1,132,613	218,389	1,314,592	1,056,639	257,953
Support Services to Schools	4,439,080	2,165,563	2,273,517	4,570,290	2,302,917	2,267,373
Trade Refuse	522,215	462,024	60,191	523,740	468,050	55,690
Training Centres	1,398,483	1,433,313	(34,830)	1,376,139	1,266,958	109,181
Allotments	202,691	93,853	108,838	131,544	69,096	62,448
Building Maintenance						
Surveying	3,334,391	3,330,452	3,939	164,055	181,768	(17,713)
Connexions Hub	4,262,320	4,709,710	(447,390)	0	0	0
	79,334,050	34,745,455	44,588,595	61,091,820	25,022,684	36,069,136

In April 2001 the Council adopted a set of ground rules for determining which service should operate on a Trading Account basis. These guiding principles reflect the requirements of the Best Value Accounting Code of Practice and provide a uniform approach to the monitoring of trading performance. At that time the Council also identified all those services to be operated and monitored on a trading account basis. The financial performance of all of these services is identified in the table above. Included in these items are the functions of the former Direct Service Organisations (DSO's) which were previously subject to the requirements of Compulsory Competitive Tendering (CCT) legislation. Since April 1999 these services have operated as part of the General Fund services. The accounts of the former DSO's continue to be maintained on a trading account basis in accordance with guiding principles adopted by the Council, and are included in the Best Value Accounting Code of Practice Cost of Services analysis.

* Car Parks - The net position for both car parks (other) and car parks (CPE) is a £898,859 deficit (2007/2008 £221,582 deficit).

Notes to the Core Financial Statements (Continued)

Note 2 – Trading Services (Continued)

** Port of Sunderland includes Capital charges, FRS17 and bi-annual dredging costs totalling £926,433 (for 2007/2008 £623,364). In addition the position includes a transfer of surplus against budget of £167,631 to the Port Reserve (for 2007/2008 £42,072). The net expenditure position excluding these items is therefore £48,436 surplus (2007/2008 £198,258 deficit).

*** Miscellaneous Land and Property includes impairment charges of £12,549,636 (2007/2008 £8,747,592). The net expenditure position excluding these charges is therefore £469,668 surplus (2007/2008 £817,439 surplus).

Note 3 - Publicity

Section 5(i) of the local Government Act 1986, requires local authorities to keep an account of their expenditure on publicity. The Council has established a revised coding structure to report more accurately net publicity related expenditure.

	2008/2009 £	2007/2008 Restated £
Employees	379,755	354,100
Running Expenses	17,554	(72,446)
Staff Recruitment Advertising	1,085,370	888,759
General Advertising and Publicity	1,448,358	1,519,051
Connexions - Marketing (Not Council Related)	0	201,609
	2,931,037	2,891,073

Note 4 – Local Authority (Goods and Services) Act 1970

Work may be carried out under the Act for other local and public authorities. Information to be disclosed is to indicate the scale of the operations and the nature of the activities the Council has been engaged in during the financial year. None of the activities represent a significant proportion of the Councils total related capacity.

	2008/2009 £	Restated 2007/2008 £
Supply of Goods		
Issue from Central Stores to Sunderland University, Stockton Borough Council, Colleges and Voluntary Bodies	0	50,050
Supply of Services		
Printing services provided to Sunderland University, Stockton Borough Council, Colleges and Voluntary Bodies	4,165	8,505
Hospital Library Services to Teaching Primary Care Trust	5,256	5,088
Buildings Repairs and Maintenance to Sunderland University, Teaching Primary Care Trust, Colleges and Police Authority	34,540	24,688
Support Services to Houghton Keipier Sports College (Foundation)	13,729	14,039
Payroll Services to City of Sunderland College	25,856	25,225

Notes to the Core Financial Statements (Continued)

Note 5 – Local Management of Schools and School Delegated Budgets

Under the Education Reform Act 1988, once budgets have been delegated to schools, subject to scheme rules, any under spending can be carried forward by the school and do not accrue to the Council's balances. The value of school balances held at 31 March 2009 totalled £5,770,795 (31 March 2008 £5,601,315). These sums represent accumulated surpluses and amounts set aside for specific spending plans of schools. The principle of delegated budgets was extended to Council Departments 1992/1993. Unspent balances are shown in the Statement of Movement in General Fund Balances and identified as earmarked in the Balance Sheet on [Page 44](#).

Note 6 – Industrial Loans at Subsidised Rates of Interest

Economic Development Regulations requires the disclosure of loans to industry which are at a subsidised rate of interest (i.e. below market rates), also known as soft loans. There was one such loan made in the 2008/2009, the details of which are shown below:

Date of Loan Awarded	Amount of Loan £	Term	Interest Rate %	Balance at 31 March 2009 £	Balance at 31 March 2008 £
01/02/2009	50,000	36 Months	1.61	48,643	0

In accordance with the SORP 2008, the difference between the interest payable to the council by the recipient of the loan and the amount they would have paid if they had acquired a loan for the same amount on the open market is charged to the Income and Expenditure Account under the relevant net cost of service heading; in 2008/2009 this amounted to £2,938 (2007/2008 £Nil). This charge is then reversed out through the Statement of Movement on the General Fund Balance to mitigate any effect on Council Tax.

Note 7 - Subjective Summary

The following analysis treats DLO expenditure as agency and contracted services and does not therefore show such expenditure subjectively.

The analysis reflects the requirements of the BVACOP where internal recharges have been allocated to the service recipient and ensures that this expenditure appears only once in the accounts and that it reflects the total cost principal of BVACOP. It eliminates double counting of the same recharges. This treatment has been applied consistently for both financial years.

Notes to the Core Financial Statements (Continued)

Note 7 - Subjective Summary (Continued)

	2008/2009			Restated 2007/2008
	Gross Expenditure £	Gross Income £	Net Expenditure £	Net Expenditure £
Employee Expenses	290,640,413	0	290,640,413	304,255,301
Premises Related Expenses	37,877,383	70,340	37,807,043	35,022,881
Transport Related Expenses	10,042,985	0	10,042,985	9,517,112
Supplies and Services	78,581,808	0	78,581,808	85,696,094
Third Party Payments (See Note 13 Page 58 for more details)	112,999,073	0	112,999,073	105,469,687
Transfer Payments	118,372,912	0	118,372,912	110,448,385
Support Services	26,913,836	0	26,913,836	25,036,892
Capital Items	82,328,234	5,500,197	76,828,037	70,245,446
Government Grants	0	362,023,733	(362,023,733)	(369,083,009)
Other Grants, Reimbursements and Contributions	0	57,178,202	(57,178,202)	(61,444,322)
Customer and Client Receipts	0	68,663,901	(68,663,901)	(66,900,399)
Transfer from Provisions	0	567,620	(567,620)	(7,553,605)
Appropriation to Provisions	938,599	0	938,599	1,920,967
Recharges	0	2,434,976	(2,434,976)	(2,244,330)
Net Cost of Services	758,695,243	496,438,969	262,256,274	240,387,100
Loss/(Gain) on the Disposal of Fixed Assets	301,558	0	301,558	39,318,000
Impairment of Landfill Allowances	227,520	0	227,520	417,424
Parish Council Precepts	50,268	0	50,268	48,804
Other Levies	18,109,925	0	18,109,925	17,633,143
(Surplus)/Deficit on Trading Undertakings not included in net	37,910	550,849	(512,939)	(54,143)
Interest Payable and Similar Charges	8,544,017	0	8,544,017	9,775,319
Contribution of Housing Capital Receipts to Government Pool	53,517	0	53,517	62,577
Interest and Investment Income	0	11,380,448	(11,380,448)	(12,475,539)
Pensions Interest Cost and Expected Return on Pension	15,190,000	0	15,190,000	6,120,000
Net Operating Expenditure	801,209,958	508,370,266	292,839,692	301,232,685
Demand on the Collection Fund	0	91,700,867	(91,700,867)	(88,288,757)
General Government Grants (See Note 16 Pages 60 and 61)	0	44,162,322	(44,162,322)	(20,609,806)
Non-Domestic Rates Redistribution	0	132,944,980	(132,944,980)	(120,982,887)
(Surplus)/Deficit for the Year	801,209,958	777,178,435	24,031,523	71,351,235
Capital Financing Costs	61,835,964	90,298,201	(28,462,237)	(44,872,119)
Housing Capital Receipts	0	53,517	(53,517)	(62,577)
PFI Residual Interest Appropriation	213,962	0	213,962	225,319
Transfer to Earmarked Reserves	7,120,566	4,928,432	2,192,134	33,332,167
Loss / (Gain) on the Disposal of Fixed Assets	0	301,558	(301,558)	(39,318,000)
Financial Instruments Adjustments	0	61,113	(61,113)	(56,683)
Delegated Budgets Underspend Carried Forward - Other	10,632,786	0	10,632,786	6,389,484
Delegated Budgets Underspend Carried Forward - Social Services Pooled Budgets	142,990	0	142,990	88,158
Delegated Budgets Underspend Carried Forward - Supporting People	723,660	0	723,660	1,300,134
Contribution to / (from) Balances - Connexions	0	0	0	(248,571)
Appropriation from Pension Reserve	350,000	0	350,000	(8,100,000)
PFI Appropriation Account	29,798	214,252	(184,454)	(286,076)
Transfer from Specific Reserves	208,757	1,273,768	(1,065,011)	(10,117,268)
Delegated Budget Surplus Brought Forward - Other	0	6,486,133	(6,486,133)	(6,435,961)
Delegated Budget Surplus Brought Forward - Social Services Pooled Budgets	0	88,158	(88,158)	(3,294)
Delegated Budget Surplus Brought Forward - Supporting People	0	1,300,135	(1,300,135)	(1,217,978)
Increase in General Fund for the Year	882,468,441	882,183,702	284,739	1,967,970

Notes to the Core Financial Statements (Continued)

Note 8 – Pension Costs

Note 8a – Teachers

Teachers employed by the authority are members of the Teachers Pension Scheme, administered by the Department for Children, Schools and Families. It provides teachers with defined benefits upon their retirement, and the Authority makes contributions based on a percentage of members' pensionable salaries.

In 2008/2009 the council paid **£12.861m** to the Teachers Pensions Agency in respect of teachers retirement benefits, representing 14.2% of the pensionable pay. (The figures for 2007/2008 were £12.831million representing 14.1% of pensionable pay).

The authority is also responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers Scheme. These benefits are fully accrued in the pension liability described in **Note 41b Page 85** of the Balance Sheet.

Note 8b – Other Employees (Excluding Teachers)

In 2008/2009 the Council paid employers contributions of £20.624m (2007/2008 £19.515 million) into the Tyne & Wear Pension Fund, which represents 14.57% (2007/2008 13.47%) of pensionable pay. The contribution rate is determined by the actuary based on triennial actuarial valuations, the last review completed at 31 March 2007. Under Pension Regulations overall contribution rates are set to meet 100% of the overall liabilities of the fund over a defined period. An additional £10.266m (equivalent to 7.25% of Pensionable Pay) was paid into the Fund during 2008/2009, (for 2007/2008 £10.397million equivalent to 7.18% of Pensionable Pay) in respect of the local government deficiency payment to enable the fund to support existing and future pensioners.

In addition the Council is responsible for all pension payments relating to added years benefits it has awarded, together with related increases. These benefits are also reflected in the pension's liability as described in **Note 41a Pages 82 to 85** of the Balance Sheet.

Note 8c – FRS Disclosures

The Council participates in the Local Government Pension Scheme which is administered by South Tyneside MBC. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary. It is a funded scheme which means that the Authority and employees pay contributions into the fund, calculated at a level intended to balance pension's liabilities with investment assets. In accordance with Financial Reporting Standards (FRS17) Retirement Benefits, the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to its Pension Scheme for its employees.

Under the 2008 Statement of Recommended Practice (SORP) the Council has adopted the amendments to FRS17, Retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of the change is that the value of scheme assets at 31 March 2008 has been restated from £642.97m to £640.77m, a decrease of £2.20m, resulting in an increase in the pension deficit of £2.20m (31 March 2008: increase of £2.32m).

Notes to the Core Financial Statements (Continued)

Note 8c – FRS Disclosures (Continued)

The information included in the accounts and in the notes below has been provided by the Actuary to the Tyne and Wear Pension Fund. References in [] relate to the relevant paragraph(s) of the FRS17 requirements. The figures provided by the actuary to the Tyne and Wear Pension Fund are based on information provided by the scheme and assumptions determined by the Council in conjunction with the actuary. Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the results of actuarial calculations maybe affected by uncertainties in a range of possible values.

- i) Employees of the Council are admitted to the Tyne and Wear Pension Fund (“the Fund”), which is administered by South Tyneside MBC under regulations governing the Local Government Pension Scheme, ‘a Defined Benefit Scheme’. [76a]
- ii) The most recent valuation was carried out as at 31 March 2007, and has been updated by the independent actuary to the Tyne and Wear Pension Fund to take account of the requirements of FRS17 in order to assess the liabilities of the fund as at 31 March 2009. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to the present value. [76(b)] the next revaluation will be carried out by the Actuary as at 31 March 2010.
- (iii) The Councils contribution rates in respect of the period 1 April 2009 to 31 March 2011 and the contributions to cover the deficit in the Fund was certified by the Actuary as follows: [76(c)]

Period	Percentage of Pensionable Pay %	Additional Contributions £000
1 April 2008 to 31 March 2009	14.5	10.266
1 April 2009 to 31 March 2010	14.5	10.749
1 April 2010 to 31 March 2011	14.5	10.253

- (iv) The Council recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account with accounting entries shown in the Statement of Movement in General Fund Balance. The following transactions have been made during the year:

Notes to the Core Financial Statements (Continued)

Note 8c – FRS Disclosures (Continued)

Local Government Pension Scheme	2008/2009 £m	Restated 2007/2008 £m
Income and Expenditure Account		
Net Cost of Services:		
Current Service Cost (per Actuary)	18.49	27.07
Past Service Costs (per Actuary)	0.91	9.64
Net Operating Expenditure:		
Interest Costs	60.18	52.41
Expected Return on Scheme Assets	(44.99)	(46.29)
Net Charge to the Income and Expenditure Account	34.59	42.83
Statement of Movement on General Fund Balance:		
Reversal of net charges made for retirement benefits on accordance with FRS17	0.35	(8.10)
Actual amount charged against General Fund Balance for pensions in the year: Employers contributions payable to the scheme	34.94	34.73

In addition to the recognised gains and losses included in the Income and Expenditure account, actuarial loss of £185,460,000 (£86,230,000 gain 2007/2008 restated) were included in the Statement of Total Recognised Gains and Losses (STRGL). The cumulative amount of losses recognised in the STRGL is £100,050,000.

- (v) Further information can be found in South Tyneside Councils Pension Fund Annual Report or by contacting the Pension Fund Administrators directly. The address for correspondence is as follows: Pension Fund Administration, Finance Department, Town Hall, South Shields NE33 2RL or Telephone 0191 427 1717.

Notes to the Core Financial Statements (Continued)

Note 9 – Officer Emoluments and Members Allowances

Note 9a – Officer Emoluments

The number of employees, whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000:

Remuneration Band	Number of Employees	
	2008/2009	2007/2008
£50,000 - £59,999	142	111
£60,000 - £69,999	36	36
£70,000 - £79,999	29	15
£80,000 - £89,999	8	10
£90,000 - £99,999	5	3
£100,000 - £109,999	4	4
£110,000 - £119,999	0	1
£120,000 - £129,999	1	0
£130,000 - £139,999	0	0
£140,000 - £149,999	0	0
£150,000 - £159,999	1	0
£160,000 - £169,999	0	0
£170,000 - £179,999	0	1
£180,000 - £189,999	0	0

Note 9b – Members Allowances

	2008/2009 £000	2007/2008 £000
Total Members Allowances paid in the Year	1,004	995

Note 10 – Related Party Transactions

The Statement of Recommended Practice requires the disclosure of any material transactions with related parties to ensure that stakeholders are aware when these transactions take place and the amount and implications of such transactions.

Related party transactions are those transactions with related parties (i.e. bodies or individuals) that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits). Details of transactions with government departments are set out in [Note 63](#) of the Cash Flow Statement on [Page 111](#).

All material related party transactions that follow the SORP guidance are disclosed below:

Notes to the Core Financial Statements (Continued)

Note 10 – Related Party Transactions (Continued)

Council Members

In respect of 2008/2009 financial year a number of Council Members had a controlling interest in a company, partnership, trust or entity which generated a related party transaction with the Authority. The controlling influence was by way of ownership, or as a director, trustee or partner. These transactions amounted to payments of £4.087m made by the Authority in 2008/2009 (£5.545m in 2007/2008), of which £0.430m (£0.979m for 2007/2008) relates to Cabinet Delegated Schemes approved grants in support of the arts, sports, promotions and tourism, £2.430m (£2.618m for 2007/2008) payments to companies and £1.227m (£1.948m for 2007/2008) to voluntary organisations.

It should be noted that all Council members pecuniary and non financial interests which could conflict with those of the Council are open to the public inspection as required by the Local Authority (Members Interests) Regulation (SI 1992/618) laid under section 19 of the Local Government and Housing Act 1989. In addition, the award of any contracts by the Authority's Procurement Procedure Rules approved by the Council. The relevant members must therefore declare an interest (which was minuted) and they do not take part in any discussion or decision relating to the transactions concerned.

Chief Officers

In respect of the 2008/2009 financial year no Chief Officers had a controlling interest in a company, partnership, trust or entity which is considered to have generated a related party transaction with the Authority.

Other Relevant Information

Details of the Councils transactions with Central Government, other Local Authorities, related companies, levying bodies, schools with delegated budgets and employee pension funds are shown separately in the appropriate sections of the Statement of Accounts. In summary the Council provides support services (including financial support services) to the following related parties:

Tyne & Wear Fire and Rescue Authority, Beamish Museum Joint Committee, Beamish Museum Limited, Beamish Museum Trading Limited, Empire Theatre Trust Company Limited, Bowes Railway, Hetton Town Council, Tyne and Wear Development Company Limited, Tyne and Wear Economic Development Joint Committee, Back on the Map Limited, Raich Carter Sports Centre, Pooled Budget Arrangements with the local Teaching Primary Care Trust and Tyne and Wear Care Alliance.

Note 11 – Minimum Revenue Provision

For 2008/2009 the Minimum Revenue Provision is based upon 4% of the value of the Councils Consolidated Advances and Borrowing Pool as at 1 April 2008 together with any contributions the Council voluntarily makes to this provision. The Accounting Policies on [Page 28](#) provides more detail on accounting for MRP in order to comply with the requirements of the SORP. The provisions are as follows:

	2008/2009 £	2007/2008 £
Statutory MRP	8,231,116	8,213,232
Voluntary MRP	735,794	687,589
	8,966,910	8,900,821

Notes to the Core Financial Statements (Continued)

Note 12 – Building Regulations Charging Account

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities can not be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable (Building Regulations) and non-chargeable (Building Control) activities.

	2008/2009			2007/2008		
	Chargeable Building Regulation £	Non Chargeable Building Control £	Total Building Control Function £	Chargeable Building Regulation £	Non Chargeable Building Control £	Total Building Control Function £
Expenditure						
Employee Expenses	471,324	192,513	663,837	515,293	125,395	640,688
Transport Related Expenses	9,385	3,833	13,218	11,252	0	11,252
Supplies, Services and Other Expenses	50,670	20,697	71,367	86,730	21,408	108,138
Agency and Contracted Services	13,929	5,689	19,618	29,681	0	29,681
Central and Support Services	186,078	76,003	262,081	181,104	44,703	225,807
Total Expenditure	731,386	298,735	1,030,121	824,060	191,506	1,015,566
Income						
Building Regulation Charges	(734,300)	0	(734,300)	(806,293)	0	(806,293)
Miscellaneous	0	(14,972)	(14,972)	0	(18,122)	(18,122)
Total Income	(734,300)	(14,972)	(749,272)	(806,293)	(18,122)	(824,415)
(Surplus)/Deficit for Year	(2,914)	283,763	280,849	17,767	173,384	191,151

Notes to the Core Financial Statements (Continued)

Note 13 – Agency Services

These are services that are performed for the Council by other Authorities or Bodies, but where the Council still has responsibility for that service and reimburses the Authority or Body involved for the cost of the work or service carried out on its behalf. The principal areas of agency work are shown below and more detailed information can be made available on request of the City Treasurer's Department, Civic Centre, P.O. Box 106, Sunderland, SR2 7DN.

	2008/2009 £m	2007/2008 £m
Residential, Nursing and Home Care Provision	48.8	45.1
Fostering and Adoption Service	5.5	5.3
Payments to Voluntary Organisations	4.9	5.0
Health Trust	2.9	3.1
Supporting People Contracts	6.5	5.9
Highways Maintenance	13.0	12.8
Waste Disposal	7.0	7.1
Grounds maintenance Contracts	0.2	0.2
Council Services provided to Schools Delegated Budgets	3.4	3.2
School Meals Contract provided to Schools	6.3	5.7
School Placements for Special Education in Other Authorities	1.2	1.3
Museums Service - Joint Authority	0.9	0.9
Other Payments	12.4	9.9
Total Agency Payments	113.0	105.5

Note 14 – Long Term Contracts – Private Finance Initiative (PFI)

The Council's first PFI scheme, Sandhill View Community and Learning Centre, became operational in September 2002 and the SORP requires the Council to provide details about the contract and the committed revenue resources for future financial years. The Authority accounts for the net amount of the unitary charge for the PFI contract but reduces this amount by the effect of the PFI Government Grant support received in the financial year to which it relates and is included on the Education Services line within the Income and Expenditure Account.

The Council is also committed to making future payments of £59.432m over the remaining term of the 25 year contract but this figure is reduced by the impact of the PFI Government Grant which is estimated at £28.583m over the same period of the contract. This then leaves an estimated remaining cost of the PFI scheme for future years to the Council of £30.849m as at 31 March 2009. It is also important to note that the additional costs of the scheme must also take into account budgets which previously covered some of the facilities now provided at the Sandhill View facility e.g. Sandhill View School and Grindon Library and that more facilities are also provided than were previously available.

The Council also entered into a PFI contract, on 12 August 2003, with Balfour Beatty Power Networks Ltd to provide replacement highway signs and street lighting, which includes ongoing maintenance, over a period of 25 years. The contract began on 1 September 2003 and will until 31 August 2028. The Authority accounts for the net amount of the unitary charge for the PFI contract but this amount is reduced by the effect of the PFI Government Grant support received in the financial year to which it relates and is included in the Highways, Roads and Transport Services line within the Income and Expenditure Account.

Notes to the Core Financial Statements (Continued)

Note 14 – Long Term Contracts – Private Finance Initiative (PFI) (Continued)

The Council is also committed to making further payments estimated at £181.348m over the remaining term of the 25 year contract but this figure is reduced by the effect of the PFI Government Grant support which is estimated at £42.338m over the same period of the contract. This then leaves an estimated remaining cost of the PFI scheme for future years to the Council of £139.010m as at 31 March 2009. It is also important to note that the additional costs of the scheme must also take into account budgets which previously covered the facilities now provided and a

iso the fact that all street lighting and traffic signs have been fully replaced and modernised as part of the contract.

The estimated contract payments for both PFI contracts can be analysed over the term of the respective contracts as follows, with the contract for Sandhill View Community and Learning Centre expiring in September 2027 (2027/2028) and the Highway Signs and Street Lighting contract expiring in August 2008 (2028/2029).

As Part of the reforms to Local Authority PFI Grant announced by the former Office of the Deputy Prime Minister (ODPM) now the Department for Communities and Local Government (CLG), the Authority took advantage of the opportunity offered in relation to both Sandhill view and the Street Lighting Schemes to move to the annuity method of calculating the grant entitlement. This method of calculation became effective from the 1 April 2005 and the figures set out in the table below reflect the change in Government Grant receivable

Period	Unitary Payments £m	PFI Government Grant £m	Net Cost £m
2009/2010	10.912	3.733	7.179
2010/2011 - 2013/2014	45.306	14.935	30.371
2014/2015 - 2018/2019	60.619	18.669	41.950
2019/2020 - 2023/2024	65.428	18.669	46.759
2024/2025 - 2028/2029	58.515	14.915	43.600
Total	240.780	70.921	169.859

Note 15 – Pooled Budgets

Section 31 of the Health Act 1999 allows partnership arrangements between National Health Service (NHS) bodies, Local Authorities, and other agencies in order to improve and co-ordinate services. A pooled budget is established to which each partner organisation makes an agreed contribution. The aim of the partnership is to provide a service to a target client group and allow organisations to work in a more unified way. Included within the Council's accounts are three such partnership schemes with Sunderland Teaching Primary Care Trust (STPCT). The notes below summarises the financial performance of each scheme and offers a brief explanation of their purpose:

Community Equipment Service

The aim of this service is to provide all the residents of Sunderland, with an assessed need, appropriate equipment in order to improve their ability to live in their own homes and to encourage independence.

Notes to the Core Financial Statements (Continued)

Note 15 – Pooled Budgets (Continued)

	2008/2009 £'000	2007/2008 £'000
Sunderland City Council	(991)	(970)
Sunderland Teaching Primary Care Trust	(1,265)	(1,239)
Total Funding	(2,256)	(2,209)
Gross Expenditure	2,381	2,228
Net (Funding) / Expenditure	125	19

Learning Disabilities

The aim of this service is to plan and implement a joint service for people in residential care with learning disabilities identified as difficult to support within existing learning disability establishments.

	2008/2009 £'000	2007/2008 £'000
Sunderland City Council	(869)	(850)
Sunderland Teaching Primary Care Trust	(1,355)	(1,325)
Learning Disabilities Development Fund	(475)	(368)
Total Funding	(2,699)	(2,543)
Gross Expenditure	2,511	2,433
Net (Funding) / Expenditure	(188)	(110)

Intermediate Care

The aim of this service is the improvement of the intermediate care for older people to facilitate early discharge of people who are medically fit but need extra support through rehabilitation care and preventing unnecessary admission or re-admission to hospital or longer term care, through closer working arrangements with Partners.

	2008/2009 £	2007/2008 £
Sunderland City Council	(1,235)	(1,160)
Sunderland Teaching Primary Care Trust	(991)	(930)
Total Funding	(2,226)	(2,090)
Gross Expenditure	2,127	2,002
Net (Funding) / Expenditure	(99)	(88)

Note 16 – General Government Grants

The Council received the following general government grants that are not allocated to specific services, in addition to redistributed National Non Domestic Rates which is shown separately on the Income and Expenditure Account.

	2008/2009 £	2007/2008 £
Revenue Support Grant	18,507,022	20,303,425
Local Area Business Growth Incentive Scheme Grant	272,850	306,381
Area Based Grant (ABG)	25,382,450	0
Total General Government Grant Received	44,162,322	20,609,806

Notes to the Core Financial Statements (Continued)

Note 16 – General Government Grants (Continued)

Area Based Grant replaced Local Area Agreement Grant in 2008/2009. Area Based Grant is a non-ring fenced general grant, no conditions on its use are imposed as part of the grant determination ensuring full local control over how the grant can be used. This means that, unlike Local Area Agreement Grant, its use is not restricted to supporting the achievement of Local Area Agreement targets. In 2007/2008 the council received £14,776,455 of Local Area Agreement Grant, however this was reflected in the income of the service it was allocated to in accordance with the SORP.

Note 17 – Audit Costs

The City of Sunderland incurred the following fees in respect of external audit and inspection:

	2008/2009 £	2007/2008 £
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor.	352,737	378,819
Fees payable to the Audit Commission for the certification of grant claims and returns	46,557	72,094
Total Costs	399,294	450,913

Note 18 – Dedicated Schools Grant (DSG)

Details of the deployment of DSG receivable for 2008/2009 are as follows:

	Schools Budget Funded by DSG		
	Central Expenditure £	Individual Schools Budget (ISB) £	Total £
Original grant allocations of Schools budget for the current year in the authority's budget	11,009,383	147,851,933	158,861,316
Adjustment to finalised grant allocation	0	0	0
DSG receivable for the year	11,009,383	147,851,933	158,861,316
Actual Expenditure in the year	10,182,378	148,774,358	158,956,736
(Over) / underspend for the year	827,005	(922,425)	(95,420)
Planned top-up funding of ISB from Council resources	0	0	0
Planned top-up funding of Central Expenditure from Council resources	0	0	0
Transfer of contingencies to ISB	(674,957)	922,425	247,468
(Over) / underspend from prior year			
(Over) / underspend carried forward to 2009/2010	152,048	0	152,048

From 2006/2007, the arrangements for government support for the funding of schools changed. Previously funds were provided as part of the Council's overall Revenue Support Grant; however the Council now receives a specific grant known as the Dedicated Schools Grant (DSG) in its place. For 2008/2009 the council received £158.861m compared to £158.576m in 2007/2008. This grant continues to be credited directly against the Education Services (Net cost of service line) on the Income and Expenditure Account.

The school contingency figure is approved by the Schools Forum at the beginning of each financial year and then is allocated to schools as necessary. The purpose of this funding is twofold: (i) to support the development of Sunderland Futures, which is a partnership of all Secondary schools to deliver diplomas and (ii) adjustments to school budget shares for named SEN pupils.

Notes to the Core Financial Statements (Continued)

Notes to the Statement of Movement on the General Fund Balance

Note 19 – Statement of Movement on the General Fund Balance

The General Fund balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves earmarked for future expenditure.

The Income and Expenditure Account however shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. The SORP requires the Authority to reconcile the Income and Expenditure Account with the Movement of General Fund Balance, (which is based on a different accounting basis). The main accounting differences are set below:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from useable capital receipts rather than Council Tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The reconciliation statement therefore summarises the differences between the outturn and the Income and Expenditure Account and the General Fund Balance.

Notes to the Core Financial Statements (Continued)

Note 20 – Reconciling Items for the Statement of Movement on the General Fund Balance

	Notes	2008/2009		2007/2008 Restated	
		£	£	£	£
Amounts to be included in the Income and Expenditure Account but not required by statute to be excluded when determining the Movement on the General Fund Balance for the year					
Amortisation of intangible fixed assets		(139,350)		(118,694)	
Depreciation and impairment of fixed assets		(75,766,674)		(67,390,749)	
Government Grants Deferred amortisation		20,214,446		15,824,773	
Net revenue expenditure funded from capital under statute		(6,985,878)		(6,892,500)	
Net gain / (losses) on sale of fixed assets		(301,558)		(39,318,000)	
Differences between amounts debited / credited to the income and expenditure account and amounts payable / receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt		(61,113)		(56,683)	
Net Charges made for retirement benefits in accordance with FRS17	8c	(34,590,000)	(97,630,127)	(42,830,000)	(140,781,853)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year					
Minimum revenue provision for capital financing	11	8,231,116		8,213,232	
Capital expenditure charged in year to the General Fund Balance		12,294,721		4,804,222	
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool		(53,517)		(62,577)	
Employers contributions payable to the Tyne and Wear Pension Fund and retirement benefits payable direct to pensioners	8c	34,940,000	55,412,320	34,730,000	47,684,877
Voluntary MRP			735,794		687,589
Transfer to or from Earmarked Reserves					
Surplus transferred (from) / to Connexions Balances	52	0		(248,571)	
Residential Homes Reserve		(27,159)		70,500	
General Capital Reserve		2,924,960		3,798,454	
Other Miscellaneous Reserves		281,983		83,346	
General Revenue Reserves - Port		87,605		380,232	
Inward Investment Reserve		(196,565)		(199,312)	
Play Areas Reserve		(326,129)		1,703,331	
Amenity Areas Reserve		0		763,749	
SAP Development Reserve		(79,442)		379,869	
Apprentice Back pay Reserve		0		217,609	
Strategic Investment Reserve		4,035,047		5,318,566	
Service Pressures and Priorities Reserve		(1,109,826)		(774,056)	
Economic Development Reserve		(225,000)		1,225,000	
Repairs and Renewals Reserve		136,288		1,288,465	

Notes to the Core Financial Statements (Continued)

Note 20 – Reconciling Items for the Statement of Movement on the General Fund Balance (Continued)

Table continued from Page 63

	Notes	2008/2009		2007/2008 (Restated)	
		£	£	£	£
Transfer to or from Earmarked Reserves (Continued)					
Waste Disposal Reserve		85,115		345,000	
Energy Costs Reserve		(1,000,000)		1,000,000	
Commuted Sums		175,845		1,814,404	
Commuted Sums in respect of S38 Reserve		0		84,535	
Pilotage Cutter Replacement Reserve		3,211		119,854	
Strategic Investment Plan Reserve		5,993,579		6,747,000	
Insurance Reserve		(1,065,009)		350,192	
School Meals Consortium Reserve		(81,122)		(58,288)	
School Meals Reserve		(180,000)		0	
Standard Fund Reserve		0		(5,704,722)	
Landfill Allowance Trading Scheme (LATS) Reserve		(227,520)		(350,699)	
Sandhill View PFI Smoothing Reserve		29,966		353,522	
Derwent Hill Investment Reserve		0		(12,558)	
School Community Activity Reserve		(356,999)		2,322,627	
Street Lighting PFI Smoothing Reserve		29,798		700,020	
Children's Services Modernisation Reserve		50,000		(107,000)	
External Placements Reserve		150,000		250,000	
Youth Offending Service Building Reserve		0		74,116	
Education Redundancy Reserve		739,083		133,230	
Connexions Hub Tyne and Wear Reserve		219,897		517,313	
Connexions Hub Reserve		0		380,608	
Pupil Referral Unit Reserve		84,931		0	
Extra District Fees Reserve		77,000		0	
Safeguarding Reserve		452,806		0	
Connexions Hub Agreement		379,370		0	
Targeting Support Reserve		954,610		0	
Modernisation and Service Pressures Reserve		800,000		0	
Unknown Future Pensions		331,531		0	
Highways Maintenance Reserve		185,000		0	
Civil Parking Enforcement		100,653		0	
VCD Support		70,000		0	
Industrial Units Reserve		307,000		0	
Economic Downturn		300,000	14,110,507	0	22,966,336
Appropriations					
PFI Appropriations Account		(214,252)		(286,076)	
PFI Residual Interest Account		213,962		225,319	
Delegated Budget Surplus		4,146,653		(46,477)	
Delegated Budget Surplus - Social Services Pooled Budgets		54,832		84,864	
Delegated Budget Surplus - Supporting People		(576,473)	3,624,722	82,156	59,786
Net additional amount required to be credited to the General Fund Balance for the year			(23,746,784)		(69,383,265)

Notes to the Core Financial Statements (Continued)

Note 21 – Movement on the Pension Reserve and Details of the Actuarial Gains and Losses

Note 21a – Movement on the Pensions Reserve

	Restated			Movement 2008/2009 £m	Balance at 31 March 2009 £m
	Balance at 1 April 2007 £m	Movement 2007/2008 £m	Balance at 1 April 2008 £m		
Pensions Reserve (Please see Note 41 for further details)	(321.950)	78.130	(243.820)	(185.110)	(428.930)

Note 21b – Actuarial Gains / Losses included in the STRGL

The actuarial gains and losses identified as part of the movement on the Pensions Reserve for 2008/2009 showed a loss of £185,460,000 (£86,230,000 gain in 2007/2008 restated), this can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31 March of each year. This information is provided by the Actuary as part of the FRS17 process and means this is independently verified by specialist pension's advice.

	2006/2007		2007/2008 Restated		2008/2009	
	Amount £m	% of Scheme Assets / Liabilities	Amount £m	% of Scheme Assets / Liabilities	Amount £m	% of Scheme Assets / Liabilities
a) Actual return less expected return on assets	(3.950)	(0.6)% Assets	(35.340)	(4.0)% Liabilities	(119.070)	(12.3)% Liabilities
b) Changes in the assumptions underlying the present value of pension liabilities	5.200	0.5% Liabilities	111.750	12.6% Liabilities	(62.260)	(6.4)% Liabilities
c) Experienced gains and losses on pension liabilities	(2.070)	0.2% Assets	9.820	(1.5)% Assets	(4.130)	0.8% Assets
Total Gains / (Losses) included in the STRGL	(0.820)		86.230		(185.460)	

Volatility of results of FRS17 and reasons for variation

The results reported under FRS17 reporting standard can change dramatically depending upon market conditions. The liabilities are linked to yields on AA-rated corporate bonds whereas the majority of the assets of the fund are invested in equities. This leads to volatility in the net pension asset on the Balance Sheet and to a lesser extent in the Statement of Total Recognised Gains and (Losses), the reasons for the variations are set out below.

- During the year ended the 31 March 2009 the investment return on fund assets was lower than assumed at the start of the year. This led to a loss on the 'Actual Return less expected return on assets' section on the Total Actuarial Loss.
- The financial assumptions underlying the calculation of the liabilities used by the Actuary differed between the two financial years with the effect that the liabilities have increased in value, resulting in a loss in the 'Change in assumptions' section of the Total Actuarial Loss

Notes to the Core Financial Statements (Continued)

Note 21b – Actuarial Gains / Losses included in the STRGL (Continued)

- The results of the latest full actuarial valuation as at 31 March 2007 have been compared to the differences between actual experience since the previous valuation, and the assumptions for FRS17 proposed in previous years which has better informed the gains and losses on liabilities. This has meant an observed loss on liabilities within the 'Experience gains and losses on pension's liabilities' section of the Total Actuarial Loss.

Note 22 – Movement in Unrealised Value of Fixed Assets showing Surplus arising on the revaluation of fixed assets

	2008/2009 Fixed Asset Restatement Account £	2007/2008 Fixed Asset Restatement Account £
Gains on revaluation of Fixed Assets in year	34,762,978	237,206,238
Impairment losses on fixed assets not charged to Income and Expenditure Account	(102,785,147)	0
Surplus arising on the revaluation of fixed assets as reported as part of the STRGL	(68,022,169)	237,206,238
Impairment losses on fixed assets charged to income and expenditure account	(47,943,717)	(41,261,001)
Build up of residual interest in PFI schemes	285,786	225,319
Total increase / (decrease) in unrealised capital resources in year	(115,680,100)	196,170,556

This shows the extent to which the value of the Authorities asset portfolio has changed in the year, made up of:

- Increases in fixed asset balance arising from revaluations.
- Reductions in the fixed asset balance arising from impairments.

In 2008/09 impairment of assets have been charged to the Income and Expenditure Account other than where an increase in asset value has been recognised in the Revaluation Reserve for a particular asset. In these circumstances the impairment value reduces the balance in the Revaluation Reserve to zero for the particular asset first then any impairment value over and above this increase in the Revaluation Reserve is charged to Income and Expenditure Account

Note 23 – Analysis of other Gains / Losses

	2008/2009 £	2007/2008 £
Movement in the Collection Fund Balance	764,775	366,428
Reduction in the fair value of the shareholding holding in Newcastle Airport	11,105,562	0
Total losses	11,870,337	366,428

More details of the reduction in the fair value of the airport can be found on [Pages 16 and 17](#) of the Director of Financial Resources Foreword.

The details of the Collection Fund are included on [Pages 112 to 115](#).

Notes to the Core Financial Statements (Continued)

Notes to the Balance Sheet

Note 24 – Movement of Fixed Assets

	Operational Land & Buildings	Infra-structure	Vehicles, Furniture, Plant & Equipment	Investment Properties	Assets Under Construction	Assets held for disposal	Total
	£	£	£	£	£	£	£
Gross Book Value 31 March 2008	797,544,782	232,596,617	46,271,881	44,747,303	27,694,466	99,734,101	1,248,589,150
Reclassifications	8,034,546	2,035,132	0	127,000	(10,757,678)	561,000	0
Additions (Capital Expenditure)	15,417,256	7,487,692	8,314,528	0	70,659,717	0	101,879,193
Disposals (Sales)	0	0	0	(95,000)	0	(350,000)	(445,000)
Transfer of Assets	0	0	0	0	(1,006,000)	(25,000)	(1,031,000)
Revaluations	24,837,652	0	0	3,521,210	0	1,036,000	29,394,862
Impairments	(127,419,302)	0	(370,034)	(8,159,141)	(6,304,929)	(13,128,101)	(155,381,507)
Gross Book Value at 31 March 2009	718,414,934	242,119,441	54,216,375	40,141,372	80,285,576	87,828,000	1,223,005,698
Accumulated Depreciation and Impairment	25,697,975	45,349,062	19,962,703	0	0	0	91,009,740
Depreciation on Revalued Assets	(9,955,939)	0	(370,034)	0	0	0	(10,325,973)
Depreciation for Year	18,090,700	5,844,758	3,887,500	0	0	0	27,822,958
Depreciation Carried Forward	33,832,736	51,193,820	23,480,169	0	0	0	108,506,725
Net Book Value 31 March 2008	771,846,807	187,247,555	26,309,178	44,747,303	27,694,466	99,734,101	1,157,579,410
Net Book Value 31 March 2009	684,582,198	190,925,621	30,736,206	40,141,372	80,285,576	87,828,000	1,114,498,973
Nature of Asset Holding							
Owned	684,582,198	190,925,621	30,736,206	40,141,372	80,285,576	87,828,000	1,114,498,973

The Council holds a number of community assets such as parks which are not used in the direct provision of services and are intended to be held in perpetuity. As such these assets have been assessed as having no financial value to the council.

Notes to the Core Financial Statements (Continued)

Note 24 – Movement of Fixed Assets (Continued)

Capital expenditure by service was as follows:

	2008/2009 £	2007/2008 £
Capital Expenditure:		
Leader / Deputy Leader	3,288,134	3,463,076
Resources	1,978,674	2,788,145
Children's Services	82,084,428	20,121,929
Adults Services	2,245,074	1,799,151
Planning and Transportation	10,741,671	14,995,980
Housing and Public Health	8,417,602	5,640,943
Neighbourhood and Street Services	994,999	768,430
Regeneration and Community Cohesion	5,737,939	9,552,333
Culture and Leisure	8,042,594	14,312,116
	123,531,115	73,442,103
Sources of Finance:		
Loans	9,719,675	9,347,927
Capital Receipts	8,019,753	13,055,202
Government Grants	88,814,384	38,131,826
Other Grants and Miscellaneous Contributions	4,682,582	8,102,928
Revenue	4,190,429	4,066,165
Reserves	8,104,292	738,055
	123,531,115	73,442,103

Expenditure on fixed assets for 2008/2009 was £101.879m (£54.653m in 2007/2008) expenditure on intangible assets was £0.314m (£0.207m in 2007/2008) and the remainder £21.338m (£18.582m in 2007/2008) representing grants, advances to other organisation for capital purposes, de-minimis expenditure transferred to revenue and expenditure on property not owned by the Authority.

Notes to the Core Financial Statements (Continued)

	2008/2009 £	2007/2008 £
Opening Capital Financing Requirement at 1 April	204,723,332	204,276,226
Prior Year Adjustment	305,213	0
<u>Capital Investment</u>		
Operational Assets	101,879,193	51,771,294
Non Operational Assets	0	2,881,945
Intangible Assets	313,829	206,558
Deferred Charges	21,338,094	18,582,306
<u>Sources of Finance</u>		
Capital Receipts	(8,019,753)	(13,055,202)
Government Grants and Other contributions	(93,496,967)	(46,234,754)
Direct Revenue Financing (includes minimum revenue provision)	(21,261,631)	(13,705,041)
Closing Capital Finance Requirement	205,781,310	204,723,332
Explanation and Movements in Capital Financing Requirement		
Increase / (Decrease) in underlying need to borrow (Supported by government financial assistance)	963,457	(190,790)
Increase in underlying need to borrow (Unsupported by government financial assistance)	94,521	637,896
Movement in Capital Financing Requirement	1,057,978	447,106

The Local Government Act 2003 provided a new prudential regime for the control of Local Authority capital expenditure. Under the prudential framework Local Authorities are free to borrow without specific government consent if they can afford to service the debt without government support. The basic principle is that authorities will be free to invest in capital expenditure as long as the plans are affordable, sustainable and prudent. As a control mechanism to ensure this occurs all authorities must follow the prudential code published by CIPFA. This involves setting various prudential limits and indicators that must be approved by the Council before the start of the relevant financial year as part of the budget setting process. These indicators are then regularly monitored throughout the year.

The capital financing requirement is one of the indicators that must be produced as part of the prudential code. This measures the authority's underlying need to borrow for a capital purpose. In order to ensure that over the medium term net borrowing will only be for capital purpose, the Local Authority should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus an estimate of any additional capital financing requirement for the current and next two financial years.

The Authority had no difficulty meeting this requirement in 2008/2009, nor are any difficulties envisaged for future years. All unsupported borrowing is undertaken following a capital appraisal process. The council makes a minimum revenue provision to repay borrowing over time. This measure comprises two elements. The first element is a statutory element (where all borrowing to 31/03/2008 and any new supported borrowing is repaid using existing regulation 28 of the Capital Financing Regulations of the Local Government Act 2003 and unsupported borrowing since 01/04/2008 is repaid based on the estimated life of the asset the loan is used to finance). Whilst the second element is a voluntary element (made to ensure that the council does not provide less resource to repay debt than it would have done under the previous system of capital controls, to ensure that loans for restricted advances are repaid in full, to accelerate loan repayment on invest to save schemes and to accelerate loan repayment where loans have been used to finance capital spend previously met from operating leases such that loans outstanding are repaid over the life of the asset).

Notes to the Core Financial Statements (Continued)

Note 24 – Movement of Fixed Assets (Continued)

Valuations of Council dwellings, operational land and buildings, community assets and non-operational assets have been carried out by N.Wood, qualified Chartered Surveyor (A.R.I.C.S) of the Council. All other asset categories have been valued by the Director of Financial Resources. Assets are valued and asset categories assessed with guidance supplied by CIPFA and A.R.I.C.S. The Council's capital expenditure is held in non-operational assets as an asset under construction and added to the appropriate fixed asset category once the scheme is complete.

Revaluation of assets takes place as part of a five year rolling programme with a proportion of all assets being re-valued each year, in addition an assessment for impairment is undertaken annually. The remaining useful life of an asset is assessed at the same time as the individual asset is re-valued. Depreciation has been calculated on a straight line basis based on the value of the asset at 1 April 2008, less any residual value, divided by life expectancy. Capital spend on schemes completed in the year is added to the asset value but this spend is not subject to depreciation until the following year. The assets held for disposal are strategic long term assets and represent vacant land and property awaiting either redevelopment for strategic purposes or disposal in future years. Investment properties include assets held for the primary purpose of investment from which a commercial rental income is obtained. Assets under construction include capital works still in progress at 31 March 2008, land and property purchased in advance of capital schemes and land and property awaiting reuse.

Operational buildings are depreciated over the anticipated useful life of the asset, which can be any length of time between 1 and 60 years. Where an asset is assessed as having a useful life in excess of 50 years depreciation is charged over 60 years. Vehicles, plant, furniture and equipment are depreciated over the anticipated useful life of the asset, generally between 3 and 10 years. Infrastructure Assets are depreciated over the anticipated useful life of the asset generally 40 years. All assets are assessed each year for any material impairment, by the Council's Valuer, in accordance with FRS11. All impairment is charged to the Income and Expenditure Account in the year that it occurred, providing that there has been no corresponding revaluation for the asset in earlier years that has been credited to the council's revaluation reserve. The assessment for impairment carried out in 2008/2009 reflected the general global economic downturn and subsequent decrease in asset values. As a consequence net assets have been reduced by £150.7m to reflect impairment in the year. Impairment has taken place throughout the council's asset portfolio, in particular the value of schools and educational establishments has decreased by £98.3m, assets held for disposal have been impaired by £13.1m, investment properties have been impaired by £8.2m, managed offices and industrial units have been impaired by £7.4m, sports centres have been impaired by £4.5m and residential homes have been impaired by £3.4m.

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets with gross valuations of fixed assets valued at current value shown by year of valuation:

Notes to the Core Financial Statements (Continued)

Note 24 – Movement of Fixed Assets (Continued)

	Operational Land and Buildings £	Non- Operational Assets £	Infrastructure £	Vehicles, Furniture & Plant £	Total £
Valued at Historical Costs	9,097,860	75,959,104	242,119,441	54,216,375	381,392,780
Valued at Current Value in					
2004/2005	15,185,700	27,694,194	0	0	42,879,894
2005/2006	34,036,000	8,473,180	0	0	42,509,180
2006/2007	3,698,000	4,012,000	0	0	7,710,000
2007/2008	8,161,000	620,000	0	0	8,781,000
2008/2009	648,236,374	91,496,470	0	0	739,732,844
Total as at 31 March 2009	718,414,934	208,254,948	242,119,441	54,216,375	1,223,005,698
Total as at 31 March 2008	797,544,782	172,175,870	232,596,617	46,271,881	1,248,589,150

The table reflects the categorisation of Council Assets. Voluntary Aided schools and Foundation schools are excluded from the analysis as the schools are not reflected in the Council's asset register. Academy schools and schools which will become academies are still included in the analysis until work to the assets has been completed and the asset ownership transfers to the governing body of the school.

	31 March 2009	31 March 2008 Restated		31 March 2009	31 March 2008 Restated
Schools	91	91	Multi Storey Car Parks	3	3
Other Education Establishments	13	13	Kilometres of Highway	1,234	1,221
Children's Homes and Day Centres	3	3	Museums and Galleries	4	4
Elderly Persons Homes	0	1	Libraries	14	15
Centres / Homes for Physical Disability	4	4	Leisure Centres (Multi-Purpose)	3	3
Centres / Homes for Learning Disability	27	27	Leisure facilities including swimming pools	2	3
Centres / Homes for the Mentally Ill	23	23	Sports Complexes	6	6
Social Services Multi-Purpose Centre	1	1	Tennis Centre	1	1
Social Services Administrative Offices Etc.	13	13	Crematorium	1	1
Factory Units / RE Government Centre	128	127	Community Assets		
Port	1	1	Reclaimed Land (Hectares)	450	450
Pilotage Vessels	2	2	Parks and Open Spaces (Hectares)	3,895	3,895
Retail market	1	1	Country Parks (Hectares)	241	241
Civic Centre and Offices	11	11	Miles of Coastline	6	6
Theatre	1	1	Cemeteries	10	10
Tourist Information Centre	1	1	Allotments (Hectares)	83	83
Off Street Car parks	32	30			

Notes to the Core Financial Statements (Continued)

Note 24 – Movement of Fixed Assets (Continued)

It is estimated that the Council has commitments under capital contracts of approximately £87.5m of approved capital spending which may be incurred over the next few years (£82.6m in 2009/10, and £4.9m in future years). The largest of these commitments are, £39.2m relating to the Building Schools for the Future Programme, £10.4m for Building Schools for the Future ICT contract, £6.6m for two new area pools at Hetton and Silksworth, £6.5m relating to area renewal schemes at Hetton Downs, Eppleton and Castletown, £2.5m relating to play pathfinder funded schemes and £2.4m relating to the digital challenge programme. It is anticipated that all major schemes will be completed in 2009/2010 with the exception of Biddick School and St Roberts of Newminster School under the Building Schools for the Future Programme which are planned for completion in 2010/2011.

Note 25 – Lease and Hire Purchase Agreement

Conforming to the requirements of SSAP21, Accounting for Leases and Hire Purchase Contract, the Council has no leases qualifying as finance leases which result in the recognition of an asset in the balance sheet. A summary of transactions during 2008/2009 related to leasing meeting the SSAP21 definition of operating leases is shown below.

Finance Leases

No assets were acquired under Finance Leases during the year.

Operating Leases – Vehicles

The capital value of assets acquired under operating leases for 2008/2009 was £Nil (2007/2008 £637,632).

The total operating lease rentals paid in 2008/2009 was £822,876 (2007/2008 £992,993).

The liability for remaining primary period rentals of operating leases for 2008/2009 was £835,966 (2007/2008 £1,526,266). The outstanding liability can be analysed as follows:

	At 31 March 2009 £	At 31 March 2008 £
Leasing Expiring in 1 year	393,830	635,825
Leasing Expiring in 2 to 5 years	442,136	869,752
Leasing Expiring in 6 years and over	0	20,689
	835,966	1,526,266

Operating Leases – Land and Buildings

The Council is lessee of a small number of short term property leases. The annual payment is currently £600,797 (2007/2008 £865,846) relating to the following periods:

	At 31 March 2009 £	At 31 March 2008 £
Leasing Expiring in 1 year	283,155	376,854
Leasing Expiring in 2 to 5 years	124,267	246,290
Leasing Expiring in 6 years and over	193,375	242,702
	600,797	865,846

Lease Rental Income (the Council as lessor)

The Council has granted a number of leases on an operational lease basis, (where the assets in terms of risks and rewards of ownership remain the Council's). Rent income receivable during the year is summarised as follows:

Notes to the Core Financial Statements (Continued)

Note 25 – Lease and Hire Purchase Agreement (Continued)

	At 31 March 2009 £	At 31 March 2008 £
Rental Premises (including a market)	1,136,950	1,094,000
Industrial Premises	1,848,080	1,626,000
Other	2,853,690	2,339,000
	5,838,720	5,059,000

Note 26 – Intangible Assets

Intangible assets represent expenditure which does not result in tangible fixed assets but where the Authority does control the economic benefits arising from the expenditure. FRS10 requires Authorities to capitalise Intangible Assets and amortise the cost of these purchases over the life of the asset.

Movement in Intangible Assets	Software Licences £
Original Cost	1,350,239
Amortisation to 1 April 2008	(204,763)
Balance at 1 April 2008	1,145,476
Expenditure in Year	313,829
Written off to revenue in year	(139,349)
Balance at 31 March 2009	1,319,956

Software Licences have been purchased in the year for use on a number of the Councils IT systems. The value of the asset is subject to an amortisation charge to revenue based on the balance at the beginning of the financial year. Amortisation will be over the expected life of the assets which has been assessed on average at 10 years.

Note 27 – Investments

Note 27a – Long Term Investments

The Authority invests the majority of its funds internally in the Consolidated Advances and Borrowing Pool (CABP), most of which are short term investments and as such are not shown in the analysis below. The CABP had £30,000,000 of long term investments at 31st March 2009 which are shown below. These are investments held in various Financial Institutions which have been taken out for a period over 365 days. The Council has shares in Newcastle Airport Ltd., in addition to other shares and unit trusts which were transferred to the Council with the transfer of responsibility for Sunderland Pilotage Authority on 1 October 1988.

	At 31 March 2009 £	At 31 March 2008 £
Government Securities	5,240	5,240
NIAL Holdings PLC (Newcastle International Airport Ltd)	1,503,168	12,608,730
Newcastle Airport LA Holding Co Ltd	1,845	1,845
Other Shares / Unit Trusts	14,301	14,301
Other Long Term Investments	30,000,000	5,000,000
	31,524,554	17,630,116

The market value of Government securities for 2008/2009 is £9,189 (2007/2008 £8,272) and of Other Shares and Unit Trusts for 2008/2009 is £57,328 (2007/2008 £86,231)

Notes to the Core Financial Statements (Continued)

Note 27a – Long Term Investments (Continued)

Under the Airports Act 1986 the Newcastle International Airport became an Airport Company on 1st April 1987, and all properties, rights and liabilities of the constituent local authorities were transferred to it. In consideration of this transfer the Council received an allocation of £6,161,377 worth of shares which represented 18.45% of the called up share capital of the Company.

On 4th May 2001 however, the seven local authority shareholders of Newcastle International Airport Limited (NIAL), entered into a strategic partnership with Copenhagen Airports Ltd. This involved the creation of a new company NIAL Holdings Ltd, to own 100% of the shares in Newcastle International Airport Ltd, 51% of the shareholding of NIAL Holdings Ltd is held by the original local authority shareholders and a further 49% is held by Copenhagen Airports Ltd. The shareholding of the Council in 2001/2002 remained at 6,161,377 but this shareholding together with the other local authorities now represents only 51% (33,395,000) of the revised share capital in the new company of £65,480,000 with 49% of the revised share capital in the new Holding Company having been acquired by Copenhagen Airports Ltd (32,085,000). The value of the shares (6,161,377) held by the Council have been re-valued to more closely reflect the valuation of the Holding company when it was created in 2001 in line with other shareholders.

The valuation of £12.609m previously shown in the Council's accounts reflected the Council's share of the last full Airport valuation carried out some years ago, (December 2001 – where the Airport was valued at £134m in total). A revised valuation, based on its mid range Equity value of £15.975m for the Airport in total as at 31st December 2008, has been derived from information supplied by independent valuers ([Deloitte](#)) which reflects a number of indicators used to assess the Airports fair value.

The Council's share of this new valuation has therefore seen its shareholding worth reduce significantly by £11.106m to a valuation of £1.503m in 2008/2009 and this figure is now included within the Council's accounts. The valuation reflects factors such as the company's present trading performance (which remains very competitive) its net debt position (which includes the company's net refinancing debt totalling almost £300m) and the fact that both the Airport market and the valuation of its major assets (land and buildings) have been significantly impaired, (fallen in value), as a direct result of the economic downturn and the depressed state of the financial markets during 2008/2009.

The strong performance of the business in recent years allowed the airport to revisit its capital structure and as a result the group's finances were restructured in December 2006 with the repayment of the £85m Bond with new senior debt loan of £302m and facilities for capital expenditure and working capital totalling £75m. This refinancing also resulted in a restructuring of the group with the addition of a new finance company, NIAL Finance Ltd and a new parent company, NIAL Group Ltd. The Council continues to retain the same shares and interests in these new companies by holding a 9.41% stake in each company.

The holding company for the local authority interests is Newcastle Airport Local Authority Holding Company Limited, (NALAHCL), which is wholly owned by the seven local authorities (LA7) and owns 51% of NIAL Holdings PLC. The Council owns 1,845 shares in NALAHCL which is equivalent to 18.45% ownership of this company.

Notes to the Core Financial Statements (Continued)

Note 27a – Long Term Investments (Continued)

The local authority shareholders received £94.9 million in 2001/2002 in cash from Copenhagen Airports Ltd as the first of three payments, which in total amounted to £194.9 million, in exchange for their 49% shareholding in NIAL. The Council received £17.221 million of the first tranche of the £94.9 million total. In addition, NIAL Holdings PLC issued £25.0 million of long term loan notes to the local authority shareholders in recognition of the value built up in Newcastle International Airport Ltd over many years and these were 'allocated' to each Authority based on its shareholding value. It also issued short term loan notes to the value of £75.0 million which were repaid in April 2002 of which this Council received £13.655 million in 2002/2003. The third tranche relates to the repayment of the £25 million of long term loan notes which commenced in 2003/2004 and will continue until the loan notes are fully repaid in 2012/2013.

The Council's share of the loan notes amount to £4.552m and this balance has reduced to £1,821m as at 31 March 2009 (31 March 2008 £2.276m) because the Council has received six annual repayment instalments to date totalling £2.731m. Interest on the remaining loan notes held is also received by the Council each year. (Note 52 on Pages 98 and 102 provide more details of the financial arrangements in place).

There was no dividend declared for 2008 (2007 £Nil dividend). There are no outstanding balances owed to or from NIAL at the year end. NIAL Group Limited made a profit before tax of £2.357m (2007 loss of £0.605m) and a loss after tax of £10.227m (2007 £2.171m).

However, the company agreed to pay a dividend of £2.171m in respect of the financial year ending 31st December 2007. This was declared at a board meeting on 2nd March 2009 following a favourable court settlement in respect of the refinancing transaction dating back to December 2006. The amount allocated to the NALA Holding was £1.107m and the Council's share was £0.204m. This figure has been included in the 2008/2009 accounts.

The airport continued to meet its senior debt repayments in 2008/2009. Dividends are expected to be made in future years as the airport increases trade and become more profitable. Note 52 on Pages 98 and 102 provides more details of the existing financial arrangements in place.

Note 27b – Short Term Investments

The Council has short term investments of £135,109,765 as at 31 March 2008 (£189,406,351 restated at 31 March 2008) comprising of £112,042,395 (£119,560,251 for 2007/2008) invested with Banks and £23,067,370 (£69,846,100 for 2007/2008) with Building Societies. Of the short term investments held by the Council, £708,674 (£871,603 for 2007/2008) relates to sums held on behalf of contractors' guarantee bonds which are held and invested by the Council until such time as the work commissioned is completed to the satisfaction of the Council. The Bond is then repaid to the contractor with the appropriate interest. (See Note 43, Pages 86 and 87 for details).

Notes to the Core Financial Statements (Continued)

Note 28 – Long Term Debtors Mortgages

This represents principal outstanding on mortgage advances under the Housing Acts to Housing Associations and members of the public and advances for industrial development processes.

	Outstanding 01/04/2008 £	Add New Advances £	Less Repayments £	Outstanding 31/03/2009 £
Housing Associations, Housing Purchase, Improvements etc	224,955	0	(75,978)	148,977
Industrialists	0	45,812	0	45,812
	224,955	45,812	(75,978)	194,789

The amounts outstanding at 31 March 2009 include £2,234 in respect of arrears of principal (£3,242 2007/2008).

Note 29 – Long Term Debtors – Long Term Loan Notes

This represents principal outstanding on long term loan notes received from Copenhagen Airports Ltd as part of the consideration of the sale of the Council's share (49%) in Newcastle International Airport Ltd in May 2001. Under the terms of the sale agreement the loan notes are repayable in equal instalments over 10 years starting in 2003/2004.

	01/04/2008 £	Advances £	Repayments £	31/03/2009 £
Long Term Loan Notes - Newcastle Airport	2,276,610	0	(455,178)	1,821,432

Note 30 – Residual Interest in PFI Scheme

The Council entered into a PFI scheme for the provision of Sandhill View Community Learning Centre. The contract expires in September 2027. The Council has also entered into a PFI contract to provide replacement highway signs and street lighting which includes ongoing maintenance. The contract for this expires in August 2028. A long term debtor has been established which will be used to build up the residual interest in the facilities so that by the end of the contract term the residual interest is recorded as an asset at its expected fair value. A notional interest rate for fixed assets of 3.5%, as recommended by CIPFA, has been used to determine the profiling for each years accounting entries.

	Outstanding 01/04/2008 £	Add New Advances £	Less Repayments £	Outstanding 31/03/2009 £
Sandhill View PFI Residual Interest	886,041	213,962	0	1,100,003
Street Lighting & Highway Signs PFI Residual Interest	81,360	71,824	0	153,184
	967,401	285,786	0	1,253,187

Notes to the Core Financial Statements (Continued)

Note 31 – Long Term Debtors – Loans to Other Public Bodies

These represent the debt outstanding on assets transferred to other public bodies. Since 1st April 1986 the City Council has provided advances from its Loans Fund to the Tyne and Wear Fire and Rescue Authority to finance its capital expenditure.

As a consequence of the demise of Cleveland County Council, the financial administration of the Beamish North of England Open Air Museum was transferred to Sunderland City Council during 1995/1996.

The table below analyses the movements in Long Term Debtors - Loans to Other Public Bodies.

	Outstanding 01/04/2008 £	Add New Advances £	Less Repayments £	Outstanding 31/03/2009 £
Tyne and Wear Fire and Rescue Authority	19,093,258	0	(763,730)	18,329,528
Beamish Open Air Museum	232,331	0	(9,293)	223,038
	19,325,589	0	(773,023)	18,552,566

Note 32 – Long Term Debtors – Car Loan Advances

This represents the debt outstanding on car loans made to employees

	Outstanding 01/04/2008 £	Add New Advances £	Less Repayments £	Outstanding 31/03/2009 £
Car Loan Advances	16,731	14,384	(10,167)	20,948

Note 33 – Other Long Term Debtors

This represents debtors over one year old and mainly relates to various grants outstanding where claims have been made or where the Council has been provided with a notice of intention to pay the debt.

	Outstanding 01/04/2008 £	Add New Advances £	Less Repayments £	Outstanding 31/03/2009 £
Other Long Term Debtors	760,491	148,851	(31,303)	878,039

Notes to the Core Financial Statements (Continued)

Note 34 – Stocks and Stores

All stocks and stores at the year-end are valued at cost price, with the exception of stores located at the Building and Highways Maintenance Divisions within the Community and Cultural Services Directorate and salt stock, which are valued at latest price.

	31 March 2009 £	31 March 2008 £
Direct Labour Organisation - Stores	162,888	173,382
Central Purchasing - Stores	26,500	306,434
Cleaning Stores	61,843	48,418
Winter Maintenance - Road Salt	134,706	232,776
School Catering	137,784	149,313
ILC Equipment	221,973	204,244
Other Stock in Hand	224,393	242,463
	970,087	1,357,030

Note 35 – Debtors

	31 March 2009		31 March 2008	
	£	£	£	£
Government Grants		4,428,763		1,566,950
Revenues and Customs (VAT)		3,596,566		5,292,074
Tyne & Wear Connexions		0		1,540,270
Council Taxpayers Arrears		11,686,368		11,296,893
National None Domestic Ratepayers Arrears		1,774,831		850,438
NNDR Pool Contribution		1,560,067		285,272
Sunderland Teaching Primary Care Trust		1,553,363		1,822,284
Sundry Debtors		17,830,121		17,795,364
		42,430,079		40,449,545
Other Debtor Related Items (*see footnote below)				
Deferred PFI for Street Lighting and Highway Signs	2,153,719		2,264,603	
Deferred PFI for Sandhill View	3,237,692	5,391,411	3,412,884	5,677,487
Less: Provision for Bad Debts				
Council Tax	(5,772,110)		(5,579,742)	
National Non Domestic rates	(635,651)		(22,133)	
Housing Benefit	(423,988)		(541,078)	
Miscellaneous	(410,090)	(7,241,839)	(407,497)	(6,550,450)
		40,579,651		39,576,582

* It should be noted that the above items under this heading are treated as prepayments and categorised as Debtors according to SORP but they are not specifically true debtors as they are accounting entries required to properly account for the impact of PFI schemes which the Council has entered into.

Notes to the Core Financial Statements (Continued)

Note 36 – Landfill Usage Allowance and Liability to DEFRA – Landfill Usage

The accounting entries relate to the new system introduced by the government in respect of the Landfill Allowance Trading Scheme (LATS). This is a 'cap and trade' scheme which will run for the next 15 years, from 1st April 2005 to 31st March 2020. Under the scheme each responsible local authority, known as the Waste Disposal Authority (WDA), has been allocated landfill trading allowances for each year of the scheme and also targets (cap) to reduce their Biodegradable Municipal Waste (BMW). The allowances can be traded by authorities to ensure that they meet their Biodegradable Municipal Waste (BMW) targets each year. This means that an Authority that has achieved its target can sell excess allowances to other authorities or retain them to enable them to achieve future targets. Authorities below their target face a fine of £150 per tonne for every tonne above their target and will seek to purchase other WDA's available allowances.

2008/2009 represents the first year of the scheme for WDA's in England that allowances cannot be retained and all allowances held at 30th September 2009 in respects of LATS awarded up until 2008/2009 are lost. The fair value of the LATS assets can only be established by examining the market for their trading value, in 2008/2009 LATS assets were trading at between £Nil and £0.10. It has therefore considered prudent to write down the value of these allowances to zero.

The value of the Landfill Usage Allowances of £Nil for 2008/2009, (£444,790 for 2007/2008), reflects the 2008/2009 market value of the allowances of £Nil, (in 2007/2008 this value was provided at a price of £5.00 per allowance in accordance with DEFRA advice). The accounting treatment complies fully with the SORP.

The value of the liability to DEFRA of £Nil for 2008/2009, (2007/2008 £378,065), also reflects the value of the allowances used by the Authority in 2008/2009 at the market value of £Nil, (in 2007/2008 this value was agreed at £5.00 per allowance in accordance with DEFRA advice). The accounting entries are in accordance with SORP and the surplus allowances are valued at the market price as at 31 March 2009 of £Nil (value as at 31 March 2008 as £227,520) currently reflected in general balances in the form of an earmarked reserve.

As the value of the allowances held at the beginning of the year, (45,450 in total), fell in value from £5.00 to £Nil during the year the loss on value of £227,520 (known as impairment) has been accounted for in the Income and Expenditure Account in accordance with the SORP. The table below shows the summary position that LATS have a net nil value on the Balance Sheet.

	Landfill Usage Allowances Allocated £	Less Used During the year £	LATS earmarked Reserves £
Opening balances as at 1 April 2008	3,878,604	3,651,084	227,520
Impairment of allowances during the year	(227,520)	0	(227,520)
Transactions during the year	0	0	0
Closing balances as at 31st March 2009	3,651,084	3,651,084	0

Notes to the Core Financial Statements (Continued)

Note 37 - Creditors

	31 March 2009		31 March 2008	
	£	£	£	£
Sundry Creditors		(46,560,825)		(40,156,779)
Tyne & Wear Single Programme (TWSP)*:				
Newcastle CC	0		(2,495,935)	
South Tyneside MBC	0		(1,037,091)	
North Tyneside MBC	0		(972,813)	
Gateshead Council	0		(1,145,344)	
Learning and Skills Council	0	0	(2,856,152)	(8,507,335)
Receipts in advance		(9,498,727)		(6,748,443)
Connexions		0		(2,340,729)
Government Grants received in advance		(28,424,477)		(26,751,791)
		(84,484,029)		(84,505,077)

* There are no outstanding creditor balances in respect of Tyne & Wear Single Programme for 2008/2009 as the grant funding is now managed by each organisation in their own right rather than by the Council.

Note 38 – Cash Overdrawn

The actual cash in hand at the bank at 31st March 2009 was £0.030m (£0.156m overdrawn as at 31 March 2008), well within the £1.500m overdraft limit agreed with the bank.

The Council manages effectively the cash flow of its funds and has an excellent track record on treasury management services of which the bank balance is but one of a number of elements within this area. The accounts for 2008/2009 show an overdrawn cash balance of £11.427m (2007/2008 was £17.086m), reflecting the bank balance that would exist as at 31st March if all cheques drawn before 31st March were presented and all known late bankings were made at the year end date. In reality this situation would never arise as the Council would take the necessary day to day treasury management action to either lend or borrow temporary funds appropriately.

Note 39 – Loans Outstanding – Long Term Borrowing

The table below shows the source and the maturity analysis of loans outstanding.

	31 March 2009	31 March 2008
	£	£
Source of Loan		
Public Works Loan Board	98,500,000	128,500,000
Mortgage Loans	40,470,875	40,546,590
3% Funded Debt	122,063	126,063
	139,092,938	169,172,653
An analysis of loans by maturity		
Maturing in 1-2 years	12,342	19,573
Maturing in 2-5 years	85,561	100,550
Maturing in 5-10 years	79,797	118,408
Maturing in more than 10 years	138,915,238	168,934,122
	139,092,938	169,172,653

Notes to the Core Financial Statements (Continued)

Note 39 – Loans Outstanding – Long Term Borrowing (Continued)

At 31 March 2009 £39.5m of the mortgage loans related to money market LOBO (Lender Option Borrower Option) loans. Originally these loans had a stepped interest rate structure but £34.5m of these loans were renegotiated to flat interest rate loans. Accounting regulations require the interest on all these loans to be averaged over the contractual life of the loans. This meant that an interest equalisation fund had to be established to even out the interest charged to each financial year.

The value of these LOBO loans together with the Interest Equalisation Fund at 31st March 2009 is £40.247m (£40.241m at 31 March 2008), which are included in the maturing in more than 10 years category of the above table,

Note 40 – Grants and Contributions Deferred Account

The Grants and Contributions Deferred account represents amounts of capital grant received, which are being deferred to offset the depreciation on the asset the grant was paid for.

	31 March 2009 £	31 March 2008 £
Balance brought forward 1 April	165,058,729	146,368,600
Grants applied to capital investment in year	79,113,445	34,514,902
Amounts credited in the Income and Expenditure Account	(20,214,446)	(15,824,773)
Total movement on Grants and Contributions Deferred Account	58,898,999	18,690,129
Balance carried forward 31 March	223,957,728	165,058,729

The balance of £223.958m as at 31 March 2009, (£165.059m as at 31 March 2008) on this account represents the value of capital grants and contributions which have been applied to finance the acquisition or enhancement of fixed assets held in the asset register. In accordance with the SORP the balance on this account is released to revenue in line with the depreciation of the asset. Where there has been any impairment to an asset the balance on this account is released to revenue in proportion to the assets impairment charged.

Note 41 – Liability Related to Defined Pension Scheme and Pensions Reserve

Note 41a – Local Government Pension Scheme

Note 8, Pages 52 to 54 to the income and expenditure account contains details of the Authority's participation in the Local Government Pension Scheme (administered by South Tyneside MBC) and the associated retirement benefits.

With regard to the Local Government Pensions Scheme, there were no contributions remaining payable at the year end.

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March 2009 are as follows:

Notes to the Core Financial Statements (Continued)

Note 41a – Local Government Pension Scheme

Assets and Liabilities in relation to retirement benefits

Reconciliation of fair value of scheme assets:

	2008/2009 £m	2007/2008 £m
1 April	640.77	664.27
Expected rate of return	44.99	46.29
Actuarial gains and losses	(164.06)	(81.63)
Employers Contributions	31.62	31.33
Contributions by Scheme participants	9.04	8.53
Benefits paid	(23.98)	(28.02)
31 March	538.38	640.77

Reconciliation of fair value of scheme liabilities:

	2008/2009 £m	2007/2008 £m
1 April	884.59	986.22
Current service cost	18.49	27.07
Interest Cost	60.18	52.41
Contributions by scheme participants	9.04	8.53
Actuarial gains and losses	21.40	(167.86)
Benefits paid	(27.30)	(31.42)
Past service costs	0.91	9.64
31 March	967.31	884.59

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a loss of £119,070,000(2007/2008 £35,340,000 loss)

Scheme History

	2004/2005*	2005/2006*	2006/2007 Restated	2007/2008 Restated	2008/2009
	£m	£m	£m	£m	£m
Present value of scheme liabilities	(809.69)	(934.30)	(986.22)	(884.59)	(967.31)
Fair value of scheme assets	478.28	615.61	664.27	640.77	538.38
Surplus / (Deficit) in the scheme	(331.41)	(318.69)	(321.95)	(243.82)	(428.93)

* In accordance with Paragraph 77(o) of FRS17 (as revised), the assets for the current period and previous two periods are measured at current bid price. Asset values previously measured at mid market value for periods ending 31st March 2008 and 31st March 2007 have been re-measured for this purpose. Asset values for periods ending 31st March 2006 and 31st March 2005 are shown at mid-market value and have not been re-measured as permitted by FRS17 (as revised).

Notes to the Core Financial Statements (Continued)

Note 41a – Local Government Pension Scheme (Continued)

The retirement benefits that have been promised under the formal terms of a pension scheme, (plus any constructive obligation for further benefits where the Authority has given employees valid expectations that such benefits will be granted), measured on an actuarial basis, estimating the future cash flows that will arise from liabilities (based on such things as mortality rates, employees turnover rates and salary growth), that are then discounted to present values.

The liabilities show the underlying commitments that the Authority has in the long-run to pay retirement benefits. The total net liability of £428.93 million as at 31 March 2009, (£243.82 million as at 31 March 2008 restated) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy as the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme's actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2010 is £32.21m, contributions may also be required towards the strain in the fund. In addition, £3.44m is anticipated to be paid directly to beneficiaries in respect of unfunded benefits.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the roll forward method. The Local Government Pension Scheme liabilities have been assessed by Hewitt Associates Limited, an independent firm of actuaries, estimates for the Tyne and Wear Pension Fund being based on the latest full valuation of the scheme as at 31 March 2007.

Sunderland City Council employs a building block approach in determining the rate of return on Fund Assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2009.

The main assumptions used in their calculations have been:

Notes to the Core Financial Statements (Continued)

Note 41a – Local Government Pension Scheme (Continued)

	2008/2009	2007/2008
Long-term expected rate of return on assets in the scheme:		
Equity Investments	7.00%	7.60%
Corporate Bonds	5.80%	4.60%
Government Bonds	4.00%	6.80%
Property	6.00%	6.60%
Other	1.60%	6.00%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	19.9 years	19.1 years
Women	22.8 years	22.1 years
Longevity at 65 for future pensioners:		
Men	22.1 years	21.0 years
Women	25.0 years	23.3 years
Rate of inflation	3.50%	3.70%
Rate of increase in salaries	5.00%	5.20%
Rate of increase in pensions	3.50%	3.70%
Rate for discounting scheme liabilities*	6.60%	6.80%
Take-up of opinion to convert annual pension into retirement lump sum	75.00%	50.00%

* The basis on which pension liabilities are valued is now based upon the yields of AA-rated corporate bonds whereas the majority of the assets of the fund are invested in equities. This will inevitably lead to volatility in the net pension asset on the balance sheet and to a lesser extent, in the statement of total movement in reserves.

The above figures have been provided by Hewitt Associates Limited, actuaries to the Local Government Pension Scheme (administered by South Tyneside MBC) using information provided by the scheme and assumptions determined by the Council in conjunction with the Actuary. Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.

Reserve

The Authority's attributable share of the investments held in the pension scheme to cover liabilities.

Assets in the scheme are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

	31 March 2009		31 March 2008	
	Long Term Return %	Fund Assets %	Long Term Return %	Fund Assets %
Equity Investments	7.0	66.1	7.6	63.7
Government Bonds	4.0	10.2	4.6	11.0
Other Bonds	5.8	10.4	6.8	8.9
Property	6.0	8.4	6.6	10.5
Other Assets	1.6	4.9	6.0	5.9
Average Long Term Expected Rate of Return	6.2	100.0	7.0	100.0

Notes to the Core Financial Statements (Continued)

Note 41a – Local Government Pension Scheme (Continued)

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/2009 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009.

	2004/2005	2005/2006	2006/2007	2007/2008 Restated	2008/2009
Total Pension Fund Assets (£m)	478.28	615.61	664.27	664.77	538.38
Difference between expected and actual return on assets (£m) Gains / (Losses)	17.01	88.27	(3.95)	81.64	(164.06)
Difference between expected and actual return on assets as a percentage of Total Assets (%)	3.56	14.34	(0.59)	12.28	(30.47)
Total Pension Fund Liabilities (£m)	809.69	934.30	986.22	884.59	967.31
Experienced Gains and (Losses) on Liabilities (£m)	15.01	(0.52)	2.07	9.82	(4.13)
Experienced Gains and (Losses) on Liabilities as a percentage of total liabilities (%)	1.85	(0.06)	0.21	1.11	(0.43)

- In accordance with Paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007. The history of experienced gain / (loss) on liabilities shown has not been restated for periods ending 31 March 2007, 31 March 2006 and 31 March 2005 and includes the experience relating to unfunded liabilities.

Note 41b – Teachers Pension Scheme

With regard to the Teachers Pension Scheme, there were no contributions remaining payable at the year end.

The pension costs relating to Teachers are classified as a Defined Contribution Scheme which is a 'un-funded' scheme administered nationally by the Department for Children, Schools and Families (DCSF). The DCSF uses a notional fund as the basis for calculating the employers' contribution rate paid by each local authority. As such it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of the accounts it is therefore accounted for on the same basis as a Defined Contribution Scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the standard terms of the Teachers Scheme. These benefits are fully accrued and included in the pensions liability provided by the Actuary.

Notes to the Core Financial Statements (Continued)

Note 42 – Insurance Provisions

The provision was set up in March 1992 to finance costs associated with insurable risks. The main cover provided by the fund is:

- Damage to Council property in the event of fire, lightning, explosion, aircraft or terrorism.
- Certain legal liability claims involving negligence made against the City Council.

	£	£
Balance at 1 April 2008		(3,488,906)
Expenditure during the year: Settlement of claims		2,633,619
		(855,287)
Income during the year:		
Charges to Service Committees	(2,809,042)	
Interest	(171,771)	(2,980,813)
		(3,836,100)
Less: Transfer to Earmarked Reserves		567,620
Balance at 31 March 2009		(3,268,480)

The most recent valuation of this provision was carried out in March 2009, by independent valuers, who have confirmed that the provision is adequate to meet its assessed liabilities.

Note 43 – Other Provisions

The accounts include provisions for a number of specific purposes. The following is an analysis which details the provisions made and the movement on these provisions. The provisions which are considered significant are also described in more detail in the notes below. All provisions are also reviewed each year to ensure they are required and sufficient to meet future anticipated costs and are also fully compliant with the requirements of FRS12.

	At 1 April 2008 £	Deduct Expenditure During Year £	Add Income During Year £	At 31 March 2009 £
Guarantee Bonds*	(871,603)	333,016	(170,087)	(708,674)
Back on the Map**	(3,519,360)	0	(380,079)	(3,899,439)
Equal Pay Probable Payments***	(43,712)	0	0	(43,712)
Adult Services Strain on the Fund****	0	0	(388,433)	(388,433)
	(4,434,675)	333,016	(938,599)	(5,040,258)

Notes to Other Provisions

* Guarantee Bonds - These are generally paid to the Council by contractors carrying out work on behalf of the Council. These funds are then invested and repaid as and when the contractor fulfils work done under contract. The expected timing of any economic benefit to the Council results when the contract is completed to the Council's satisfaction. The only uncertainty surrounds the date at which point the contractor fulfils the contractual obligations to the satisfaction of the Council.

** Back on the Map (BoTM) - The provision relates to grant funding held by the Council in anticipation of future schemes being brought forward by the BoTM which meets the grant criteria in operation. The funding is time limited to 31st March 2011, being the deadline date the government has set BoTM to utilise this funding. Any balance after this point in time is to be returned to central government.

Notes to the Core Financial Statements (Continued)

Note 43 – Other Provisions (Continued)

- *** Equal Pay Probable Payments - The Council has prudently set aside a provision based on the best information available to meet the remaining known tax bill on claims settled to date.
- **** To fund the strain on the fund payments made to meet a known tax bill on claims settled as at 31st March 2009 which relate to 70 staff accepting voluntary redundancy during March 2009 (i.e. staff from Home Care, Older Persons and Day Care Unit).

Note 44 – Revaluation Reserve

The Revaluation Reserve records the accumulated gains on the fixed assets held by the authority arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

The Reserve is also debited with amounts equal to the part of depreciation charges on assets that have been incurred only because the asset has been re-valued. On disposal, the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account. The overall balance on the Reserve thus represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at re-valued amounts rather than depreciated historical cost.

Whilst these gains arising from revaluations increases the net worth of the authority they would only result in an increase in spending power if the relevant assets were sold and capital receipts generated.

	2008/2009 £	2007/2008 £
Balance as at 1 April 2008	203,612,550	0
Add: Upwards Revaluation	34,762,978	237,206,238
	238,375,528	237,206,238
Less:		
Excess of current costs over historic cost depreciation	(3,039,632)	(2,488,598)
Revaluation gain transfer following downwards revaluation	0	(4,770,292)
Prior Year revaluation applied against downward revaluation	(102,785,147)	0
Revaluation gain written off following disposal and transfers	(1,101,000)	(26,334,798)
Balance as at 31 March 2009	131,449,749	203,612,550

Notes to the Core Financial Statements (Continued)

Note 45 – Capital Adjustment Account

The Capital Adjustment Account was a new account created in 2007/2008. The balance as at 1st April 2007 was created from the balances that existed on the now defunct Fixed Asset Revaluation Account and the Capital Financing Account. The Capital Adjustment Account accumulates the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal (as debits) and it also accumulates the resources that have been set aside to finance capital expenditure (as credits). The same process applies to capital expenditure that is only capital by statutory definition. The balance on the account represents the timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

	2008/2009		2007/2008	
	£	£	£	£
Balance at 1 April		591,975,164		633,626,563
Add:				
Capital Financing				
Capital Receipts Applied	8,019,753		13,055,202	
Revenue	4,190,429		4,066,165	
Government Grants	74,647,720		26,711,867	
Other Grants and Contributions	4,465,725		7,803,034	
Use of Capital Reserves	8,104,292	99,427,919	738,055	52,374,323
Excess of current cost over historic cost depreciation		3,039,632		2,488,598
Revaluation gain transfer following downwards revaluation		0		4,770,292
Revaluation gain written off following disposals and transfers		1,101,000		26,334,798
Build up of residual interest in PFI schemes		285,786		225,319
Government Grants Deferred applied to revenue		20,214,446		15,824,773
Minimum Revenue Provision		8,966,910		8,900,821
		725,010,857		744,545,487
Less:				
Revenue Expenditure Funded from Capital Under Statute written down	(6,954,573)		(6,862,453)	
Deferred PFI Debtor	(286,076)		(286,076)	
Depreciation applied to Revenue	(27,822,958)		(26,129,748)	
Amortisation Applied to Revenue	(139,349)		(118,694)	
Impairment Applied to Revenue	(47,943,717)		(41,261,001)	
Carrying amount of fixed assets following disposals and transfers	(1,476,000)		(43,397,449)	
Addition to Government Grants Deferred	(79,113,445)	(163,736,118)	(34,514,902)	(152,570,323)
Balance at 31 March		561,274,739		591,975,164

Note 46 - Deferred Credits

Deferred capital receipts arise from the repayment of loans granted to individuals for the purchase of council houses and other dwellings, and from receipts due in respect of long term notes received as part of the consideration from the sale of 49% of the Council's share in Newcastle airport. At 31 March 2009 these amounted to £2,685,450 (31 March 2008 £3,243,288)

Notes to the Core Financial Statements (Continued)

Note 47 – Usable Capital receipts Reserve (available for capital purposes)

Under regulations contained in the Local Government Act 2003, for non-housing authorities capital receipts are held by the Authority and can be used to pay for any kind of capital expenditure, to repay debt, to meet premiums on early debt repayments and to meet liabilities under credit arrangements. The government determined in 2005/2006 that a proportion of Capital Receipts from mortgage repayments relating to properties contained within the Council's Housing Revenue Account prior to the Large Scale Voluntary Transfer (LSVT) of property to Sunderland Housing Group (now called Gentoo) is paid over to the government and redistributed to authorities as part of capital grant settlements. The payment of Pooled Housing receipts relates to mortgage repayments received in 2008/2009. This amount is also shown in the income and expenditure account (Page 37) as required by the SORP.

	2008/2009 £	2007/2008 £
Balance of Usable Capital Receipts at 1 April	12,796,832	21,296,548
Add:		
Sources of Capital Receipts during year*	1,700,976	4,618,063
	14,497,808	25,914,611
Less:		
Pooled Housing Receipts	(53,517)	(62,577)
Financing Capital Expenditure	(8,019,753)	(13,055,202)
Balance of Usable Receipts at 31 March	6,424,538	12,796,832
Amounts Receivable in year*		
Capital Receipts	1,174,442	4,079,449
Mortgage repaid	71,356	83,436
Long Term Loan Notes repaid	455,178	455,178
Total	1,700,976	4,618,063

In 2008/2009 capital receipts of £1,174,442 (2007/2008 £4,079,449) were generated mainly due to the sale of assets at Houghton Sports Complex and St Peters Wharf. (The major disposals in 2007/2008 related to assets at the former Wellbank School and the sale of assets to aid regeneration at Washington, Hendon and High Street West.)

During 2008/2009 the council transferred The Woodlands, Washington to Housing 21 for a nominal sum as part of its extra care housing strategy (in 2007/2008 Leonard House, Silksworth and Silksworth Library were transferred to Housing 21 for a nominal sum as part of the extra care housing strategy and Houghton Kepier School was transferred to the governing body responsible for running the foundation school.)

Note 48 – General Fund Balances

General Fund Balances as reported in the Statement of Accounts on [Page 42](#) shows the amount of General Fund Balance available to the Council and the level of balances ring fenced to schools under the Scheme of Local Management of Schools in order to comply with the SORP. The analysis below sets out and explains the movement in these balances during 2008/2009.

	2008/2009 £	2007/2008 £
Schools Locally Managed - Reserve	5,770,795	5,601,315
General Reserve	11,553,411	12,007,630
Total General Fund Balance	17,324,206	17,608,945

Notes to the Core Financial Statements (Continued)

Note 48 – General Fund Balances (Continued)

When the 2009/2010 original budget was set, balances were estimated to reduce by £4.049 million as a result of contributions of £1.150 million to the revenue budget and £2.899 million to the Capital Programme.

As part of the budget setting process for 2009/2010 a review of the 2008/2009 contingencies and non delegated budgets was undertaken and balances were estimated to increase by £3.537 million at that time. This took into account:

- Savings on interest on balances of £8.150 million,
- Additional income of £0.469 million in respect of income received from the Local Authority Business Growth Initiative (£0.211million) and Safer and Stronger Communities Fund Neighbourhood Element (£0.258million).
- Repayment of Temporary Capital Financing of £0.456million
- Transfer of £5.538 million to reserves to support capital programme pressures.

The final general balances position of £11.553 million is £0.057million more than forecast at the revised estimate stage after taking account of a number of items reported to Cabinet as part of the outturn report.

The Foreword by the City Treasurer set out on [Pages 9 and 10](#) provides more detail on the variations set out above and commitments against these balances.

Schools Locally Managed – Reserve

In accordance with the Education Reform Act 1988, the Scheme of Local Management of Schools provides for the carry forward of individual school surpluses. These are earmarked reserves and are not available to the Council for general use but now form part of the General fund Balance in accordance with the SORP. The net surplus at 31 March 2009 comprised individual surpluses totalling £6.563m, (£5.988m for 2007/2008) and deficits totalling £0.792m, (£1.283m for 2007/2008). Centrally held contingencies due to be redistributed to schools in 2009/2010 totalled £0.152m, (Contingencies held at the end of 2007/2008 to be redistributed to schools in 2008/2009 totalled £0.149m (restated)). The net surplus at 31 March 2009 totals £5.771m (2007/2008 was £5.601m).

Note 49 – Delegated Budgets Reserve

	31 March 2009 £	31 March 2008 £
Delegated Budgets - General	10,948,878	7,194,979
Delegated Budgets - Other	550,557	679,445
Total General Fund Balance	11,499,435	7,874,424

The amount of Delegated Budgets - General has increased during 2008/2009 by a net movement of £3.754m. This movement represents service budget spending financed from both previous years under spending carried forward and in year generated surpluses, as reported to Cabinet on 25th June 2009. The net increase is primarily attributable to the revised arrangements for Working Neighbourhoods Fund under the Area Based Grant mechanism (£3.343m) which came into effect in 2008/2009 and which is committed to implementing the Working Neighbourhood's Strategy as reported to Cabinet in December 2008.

Notes to the Core Financial Statements (Continued)

Note 49 – Delegated Budgets Reserve (Continued)

The use of surpluses in the year complies with the criteria set out for delegated budgets, where delegated surpluses can be carried forward and used to meet future service spending commitments. Of the total amount of delegated budgets £10.949m carried forward, a significant amount has been earmarked for use in 2009/2010.

The amount of Delegated Budgets - Other has reduced during 2008/2009 by a net movement of £0.128m, (in 2007/2008 there was a net reduction in surplus of £0.086m). This mainly represents the planned use of the former Careers Service budget surplus of £0.149m during 2008/2009. The level of surplus relating to the Careers Service budget now stands at £0.148m however there remain a number of commitments against this surplus, (2007/2008 was £0.297m). The Tyne Wear Partnership/City Regions surplus has increased by £0.020m to a level of £0.402m in 2008/2009, (2007/2008 £0.382m) with most of this total being earmarked to fund specific issues related to the costs associated with the closure of the TWP arrangements and also to meet initiatives set by its replacement organisation the City Regions.

Note 50 – Financial Instruments

Accounting regulations require the 'financial instruments' (investments, lending and borrowing of the Council) shown on the balance sheet to be further analysed in various defined categories. The investments, lending and borrowing disclosed in the balance sheet are made up of the following categories of 'financial instruments'.

Financial Instruments

	Long Term		Current		Total	
	31 March 2009 £000	31 March 2008 £000	31 March 2009 £000	31 March 2008 £000	31 March 2009 £000	31 March 2008 £000
Borrowings						
Financial Liabilities at amortised cost	139,093	176,841	43,668	44,527	182,761	221,368
Total Borrowings	139,093	176,841	43,668	44,527	182,761	221,368
Investments						
Available for Sale Assets	1,525	12,630	0	0	1,525	12,630
Loans and receivables	30,000	5,000	135,109	189,406	165,109	194,406
Total Investments	31,525	17,630	135,109	189,406	166,634	207,036

LOBO's of £10.0m have been included in long term borrowing but have a call date within the next 12 months. The above long term figures are based on SORP which states that in undertaking effective interest rate calculations the maturity period for a LOBO should be taken as being the contractual period to maturity a period much greater than the call date of 12 months.

Gains and Losses on Financial Instruments

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows

Notes to the Core Financial Statements (Continued)

Note 50 – Financial Instruments (Continued)

	2008/2009				2007/2008			
	Financial Liabilities	Financial Assets		Total	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost £000	Loans and receivables £000	Available for sale assets £000	£000	Liabilities measured at amortised cost £000	Loans and receivables £000	Available for sale assets £000	£000
Interest Expense	(8,639)	0	0	(8,639)	(9,720)	0	0	(9,720)
Interest payable and similar charges	(8,639)	0	0	(8,639)	(9,720)	0	0	(9,720)
Interest Income	97	10,051	0	10,148	0	10,883	0	10,883
Interest and Investment Income	97	10,051	0	10,148	0	10,883	0	10,883
Net Gain / (loss) for the year	(8,542)	10,051	0	1,509	(9,720)	10,883	0	1,163

Fair Value of Assets and Liabilities Carried at Amortised Cost

The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is disclosed below.

Methods and assumptions in valuation technique.

The fair value of an instrument is determined by calculating the Net Present Value (NPV) of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the rates applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31 March 2009, using bid prices were applicable.

The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the premature repayment rates as per rate sheet number 064/08.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms for a comparable lender.
- We have used interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- We have calculated fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Notes to the Core Financial Statements (Continued)

Note 50 – Financial Instruments (Continued)

The fair values are calculated as follows:

Fair Value of Liabilities carried at Amortised Cost

	31 March 2009		31 March 2008	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB	99,644	98,427	130,003	132,273
LOBO's	40,597	42,449	40,595	43,132
Stock	138	129	5,914	6,118
Other	243	291	329	365
Bank Overdraft	11,427	11,427	17,086	17,086
Short Term Borrowing	30,712	30,669	27,441	27,441
Financial Liabilities	182,761	183,392	221,368	226,415

Fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rates payable are higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest is below current market rates reducing the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

Fair Value of Assets carried at Amortised Cost

	31 March 2009		31 March 2008	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Deposits with Banks & Building Societies	165,110	165,975	194,406	194,487
Financial Assets	165,110	165,975	194,406	194,487

The fair value is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date.

Nature and Extent of Risk Arising from Financial Instruments

The Council's management of treasury risks activity works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principals for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risks.

1. Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Councils customers. It is the policy of the council to place deposits only with a limited number of high quality banks and building societies that are on the Council's Approved Lending List.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. The Council expects full repayment on the due date of deposits placed with its counterparties.

Notes to the Core Financial Statements (Continued)

Note 50 – Financial Instruments (Continued)

2008/2009	Amount at 31 March 2008 £000	Historical Experience of default %	Historical Experience adjusted for market conditions as at 31 March 2008 £000	Estimated maximum exposure to default and uncollectability £000
Deposits with Banks and other financial institutions	165,110	0	0	0
Bonds and other securities	0	0	0	0
Deposits with Banks & Building Societies	12,733	0.48	61	61
Financial Assets	177,843		61	61

2007/2008	Amount at 31 March 2008 £000	Historical Experience of default	Historical Experience adjusted for market conditions as at 31 March 2008 £000	Estimated maximum exposure to default and uncollectability £000
Deposits with Banks and other financial institutions	194,406	0.00%	0	0
Bonds and other securities	0	0.00%	0	0
Deposits with Banks & Building Societies	39,577	0.32%	0	127
Financial Assets	233,983		0	127

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds

2. Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loan Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact or re-borrowing at a time of unfavourable interest rates.

Notes to the Core Financial Statements (Continued)

Note 50 – Financial Instruments (Continued)

Loans Outstanding	31 March 2009 £000	31 March 2008 £000
Public Works Loans Board	99,644	130,003
Market Debt / Loan Board	40,597	40,595
Temporary Borrowing	30,712	27,441
Local Bonds	56	54
Other	325	6,189
Total	171,334	204,282
Less than 1 year	32,233	35,110
Between 1 and 2 years	21	19
Between 2 and 5 years	86	101
Between 5 and 10 years	80	118
More than 10 years	138,914	168,934
Total	171,334	204,282

3. Market Risk

The Council is exposed to interest rate risk in different ways; the first being the uncertainty of interest paid / received on variable rate instruments, and the second being the affect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the STRGL.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk and these are set out in the Council's Annual Treasury Management Policy and Strategy Statement. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid to limit exposure to losses. The risk of loss is ameliorated to a certain extent by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates of the authority's cost of borrowing and therefore provide 'compensation' for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and this is updated and reviewed regularly during the year. This allows for any adverse changes to be considered and addressed where appropriate. The analysis will also advise whether new borrowing taken out is fixed or variable.

Notes to the Core Financial Statements (Continued)

Note 50 – Financial Instruments (Continued)

According to this assessment strategy, at 31st March 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2009 £000	31 March 2008 £000
Increase in interest payable on variable rate borrowings	407	330
Increase in interest received on variable rate borrowings	2,338	1,893
Impact on Income and Expenditure Account	2,745	2,223
Decrease in fair value of 'available for sale' investment assets	0	0
Impact on STRGL	2,745	2,223
Decrease in fair value of fixed rate investment assets (No impact on I&E Account or STRGL)	(1,121)	(628)
Decrease in fair value of fixed rate borrowing liabilities (No impact on I&E Account or STRGL)	(20,730)	(29,890)

4. Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £1,503,168 (2007/2008 Restated £12,608,730) in Newcastle Airport which is not listed on the stock exchange. The authority is consequently exposed to loss arising from the movement in the price of these shares which have been re-valued in 2008/2009.

The Council holds a small number of various gilts and unit trusts with a value at cost of £19,541 (2007/2008 £19,541) which are classified as 'available for sale', meaning that all movements in price, would, if considered material impact on the gains and losses recognised in the STRGL. The market value of these holdings as at 31st March 2009 was £61,081 in total (the value at 31st March 2008 was £94,503).

5. Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus no exposure to loss arising from movements in exchange rates.

Loans to third parties at below market rate have to be accounted for on a fair value basis. The fair value is the present value of all future cash receipts discounted using the prevailing market interest rate for a similar instrument and for an organisation with a similar credit rating. LAAP Bulletin 73 confirms that materiality needs to be taken into consideration and were the value is not material the new accounting adjustments need not be followed.

The SORP requires that the difference between cash lent and fair value be recognised immediately in the Income and Expenditure Account. The fair value of a soft loan will increase over the term of the loan, because the amount of interest forfeited will reduce. This is reflected by increasing the carrying value of the loan to reflect the unwinding of the discount. The resulting increase in value is recognised in the Income and Expenditure Account. The impact of a soft loan upon the Income & Expenditure account has therefore not been adjusted.

Notes to the Core Financial Statements (Continued)

Note 50 – Financial Instruments (Continued)

Soft Loans

The value of soft loans given by the City of Sunderland amounted to £70,948, £20,948 of this total represents the value of car loan advances outstanding as at 31.03.2009 (2007/2008 £18,029 restated) and a low interest loan for £50,000 (2007/2008 £Nil). The difference between the carrying amount and the fair value of the car loan advances is considered to be immaterial, the market rate for a loan for comparative purposes has been established at 4.50%, the interest rate charged by the council for a car loan advance is 4.45%, and therefore the income and expenditure account has not been adjusted. However adjustments have been made for the soft loan, the details of which are set out below:

Date of Loan	Amount £	Duration of Loan	Annual Interest Rate Charged %	Assumed Annual Interest Rate %	Interest Foregone £
01/02/2009	50,000	36 months	1.61	4.5	2,938

Note 51 – Financial Instrument Adjustment Account

SORP requires that financial assets are carried at fair value unless they have fixed or determinable payments but are not quoted in an active market. The outcome of proper accounting practice is different from that required in assessing the impact on local taxes. The Financial Instruments Adjustment Account helps manage this process by providing a balancing mechanism between the different rates at which gains and losses, such as premiums and discounts on the early repayment of debt are recognised under SORP and are required by statute to be met from the General Fund.

	2008/2009 £	2007/2008 £
Balance at 01 April	380,457	323,774
Premiums	(186,850)	(186,850)
Discounts	239,579	239,579
LOBO's	5,554	3,954
Soft Loans	2,831	0
Balance at 31 March	441,571	380,457

Notes to the Core Financial Statements (Continued)

Note 52 – Analysis of Capital and Revenue Reserves

The SORP requires the Council to provide details of all of its Capital Reserves and Revenue Reserves on the Balance Sheet (Page 44). This note shows in more detail the make up of these balances which relate to various earmarked reserves established and agreed by the Council. These are amounts of money set aside for a specific purpose, the amount and timing of which is not yet known but where there is a clear liability or spending pressure to be addressed in the future.

Capital Reserves:	2008/2009 £	2007/2008 Restated £	Purpose of the Reserve
Unutilised RCCO Reserve	7,559,250	5,897,962	The reserve consists of unutilised direct revenue financing and is fully earmarked to fund capital projects previously approved.
Strategic Investment Plan Reserve	12,740,579	6,747,000	This reserve is necessary to fund part of the Council's contribution to its Strategic Investment Plan approved by Council in April 2008.
Other General Capital Reserve	4,576,836	3,336,163	Usable capital receipts set aside to fund future capital projects previously approved.
Children's Social Care Capital Reserves	358,308	335,307	Reserve earmarked for capital developments within Children's Services.
Total Capital Reserves	25,234,973	16,316,432	

Notes to the Core Financial Statements (Continued)

Note 52 – Analysis of Capital and Revenue Reserves (Continued)

Revenue Reserves:	2008/2009 £	2007/2008 Restated £	Purpose of the Reserve
Strategic Investment Reserve	56,183,729	52,148,682	A reserve established to address some of the Council's key developments and strategic priorities.
Service Pressures and Priorities Reserve	1,778,472	2,888,298	Reserve established to address approved service pressures and priorities.
Other Miscellaneous Reserves	737,227	455,243	Numerous small revenue reserves set up for specific purposes.
Repairs and Renewals Reserve	1,424,752	1,288,465	The reserve is used to fund repairs and renewals associated with council buildings and work associated with the Disability Discrimination Act.
Economic Development Reserve	1,000,000	1,225,000	This reserve was established to fund future economic development grants.
Energy Costs Reserve	0	1,000,000	Reserve established to meet the anticipated increase in energy costs additional to the provision included in the 2008/2009 budget.
Economic Downturn Reserve	300,000	0	To mitigate the potential budgetary impact of the economic downturn.
SAP Development Reserve	300,426	379,869	Reserve established to fund future developments to the SAP system.
Sandhill Centre PFI Smoothing Reserve	2,803,570	2,773,605	The reserve was established to smooth the financial impact of the contract across the 25 years of the contract life.
Education Meals Consortium Reserve	261,882	343,004	The reserve was set up for schools within the School meals consortium which purchase meals from Cultural and Community Services. The balance is to be held pending the outcome of the review of school meal charging arrangements and trading performance in 2008/2009.
School Community Reserve	2,366,915	2,723,913	The reserve holds the surpluses on community schemes at schools. Reserve to be held until all schemes are closed.
School Meals Reserve	0	180,000	This corporate reserve was established to fund a potential deficit in the provision of school meals.
Children's Services Modernisation Reserve	81,875	31,875	The reserve is to fund one-off transitional costs associated with the Children's Social Services Modernisation Programme.

Notes to the Core Financial Statements (Continued)

Note 52 – Analysis of Capital and Revenue Reserves (Continued)

Revenue Reserves:	2008/2009 £	2007/2008 Restated £	Purpose of the Reserve
Connexions Related Reserves	1,117,819	897,922	The reserve was set up for two specific purposes. Firstly, to fund overhanging costs / liabilities arising from the transfer of the Tyne and Wear Connexions service to individual local authorities. Secondly, to facilitate investment and fund transitional costs over an initial three year period in the newly formed Tyne and Wear Hub service.
Connexions Pensions Reserve	331,531	0	Mitigate financial impact of pension rights transferred to the Council from Connexions.
Connexions Hub Agreement	379,370	0	The reserve is held as part of the current Hub agreement to provide for unforeseen costs covering the 3 year period 1 st April 2008 – 31 st March 2011.
External Placements Reserve	400,000	250,000	The reserve was established to manage the costs of external placements which fluctuate year on year and will minimise the potential in year impact on the Children's Services Directorate Budget.
Education Redundancies Reserve	872,313	133,230	The reserve was established to meet the anticipated costs of voluntary redundancies at schools as a result of falling pupil rolls within the Authority's schools.
Pupil Referral Unit Reserve	84,931	0	This reserve is earmarked for improvements to the curriculum provided for pupils educated through the Pupil Referral Unit. The reserve will also enable improvements to be made in response to Ofsted recommendations.
Extra District Fees Reserve	77,000	0	The reserve was established to manage the costs of Extra District placements which fluctuate year on year and will minimise the potential in year impact on the Children's Services Directorate Budget.
Safeguarding Reserve	452,806	0	This reserve is set provide funding to respond to additional safeguarding needs arising from the Lord Laming report and revised external scrutiny arrangements.

Notes to the Core Financial Statements (Continued)

Note 52 – Analysis of Capital and Revenue Reserves (Continued)

Revenue Reserves:	2008/2009 £	2007/2008 Restated £	Purpose of the Reserve
NEET Targeting Support Reserve	954,610	0	This reserve is set up to provide funding for academic year projects and allow additional targeted support for those Not in Education, Employment or Training (NEET) and Risk and Resilience priorities.
Street Lighting and Highway Signs PFI Smoothing Reserve	7,636,842	7,607,044	The reserve was established to smooth the financial impact of the contract across the 25 years of the contract life.
Port General Reserve	832,499	744,894	The reserve is intended to meet the potential costs associated with the future investment needs of the Port.
Replacement Port Vessel Reserve	123,065	119,854	Established with contributions from ship owners in 1987/1988 towards the replacement of the pilot cutter vessels.
Highways Maintenance Service Pressures Reserve	185,000	0	This reserve has been established to meet future Highways maintenance service pressures in 2009/2010.
Civil Parking Enforcement Reserve	100,653	0	Reserve earmarked to complete a review of traffic orders in preparation for the possibility of enforcing moving traffic offences using Civil Parking Enforcement powers.
Adults Services Modernisation Reserve	416,032	416,032	The reserve was set up to fund the one off transitional costs associated with the Adults Services Modernisation Programme.
Residential Homes Reserve	261,341	288,500	The purpose of the reserve is to replace furniture in the Council's small homes for people with learning disabilities.
Adults Services Modernisation and Service Pressures Reserve	800,000	0	Reserve required to meet increased demand pressures especially in Learning Disabilities residential nursing and home and day care.
Inward Investment Reserve	194,375	390,940	A reserve to enable the development of a series of events over a 3 year period to increase tourism and to assist in improving the economic prosperity of the City.
Landfill Allowance Trading Allowance Reserve	0	227,520	This reserve is required by regulation and will only have a real value if the Council can trade its surplus allowances before 31st March 2009 - please see Note 35, page 78 for further details.

Notes to the Core Financial Statements (Continued)

Note 52 – Analysis of Capital and Revenue Reserves (Continued)

Revenue Reserves:	2008/2009 £	2007/2008 Restated £	Purpose of the Reserve
Play Areas Reserve	1,377,202	1,703,331	The reserve relates to monies paid over by the developers of new housing estates, under Section 106 of the Town and Country Planning Act 1990. On completion of the development the contributions are used to provide play equipment on housing developments.
Amenity Areas Reserve	763,749	763,749	This reserve is set up to fund / finance with maintenance requirements of amenity areas.
Commuted Sums Reserve	2,074,784	1,898,939	The reserve was set up to reflect the monies developers of new housing estates pay to the Council for maintaining the upkeep of grassed areas and areas of common ground for which the Council has responsibility (known as commuted sums). The funds are invested and earn interest and are drawn upon to fund the grounds maintenance carried out each year.
Apprentices Back Pay Reserve	217,608	217,609	Reserve established to fund potential back pay claims from apprentices.
Waste Disposal Reserve	430,115	345,000	Reserve established to meet the preparatory costs associated with the long term strategic waste disposal solution.
Community Development Support Reserve	70,000	0	Reserve established for the support and implementation of the Community Development Plan.
Industrial Units Reserve	307,000	0	A ring fenced deficit has arisen over the past two years on industrial units. Whilst every effort will be made to make good this position, the reserve has been established to fund the deficit should this not be the case.
Total Revenue Reserves	87,699,493	81,442,518	

Notes to the Core Financial Statements (Continued)

Note 53 – Related Companies and Organisations

Tyne and Wear Development Company Ltd

The Tyne and Wear Development Company Ltd (TWEDCo) was established in 1986 by Tyne and Wear County Council and the five District Councils of Tyne and Wear. TWEDCo is a company limited by guarantee and does not have a share capital. Sunderland has three representatives on the Board of Directors as does each of the other four districts of Tyne and Wear.

The Company's objectives are:

- (i) The assistance, promotion, encouragement and security of the economic development and regeneration of Tyne and Wear, of new industry and commerce, and employment opportunities within Tyne and Wear;
- (ii) The investigation of the needs of industry and commerce, and the advertising and promotion of the benefits of Tyne and Wear as a location for the expansion and promotion of industry and commerce;
- (iii) The promotion of the interests of industry and commerce in all circles of local and central government and administration

Members of the Company have a limited guarantee of £1. If, however, the Company was ever wound up or dissolved, by the agreement of at least a majority of its members, then all liabilities and debts would have to be satisfied before any remaining interests in land of the Company could be transferred to the Council in which they are located. Any other funds and property not so covered (in the memorandum of association) would be distributed in proportion to the populations of each constituent Council's area. As the portfolio of assets of the Company is considerable and its residual liabilities are not considered to be significant then the Council would anticipate a distribution of net assets/proceeds should this event occur at any time.

To gauge the scale of its business the financial results of the company for 2007/2008 showed a consolidated trading profit after taxation of £0.679m and had net assets worth £14.464m. The company's audited accounts for 2008/2009 will be made available once approved by the Board at its AGM in January 2010.

Notes to the Core Financial Statements (Continued)

Note 53 – Related Companies and Organisations (Continued)

The Council acts as an agent for the Company in managing its property interests in Sunderland, as well as providing legal and financial services, and makes a charge for these services against the company's income. The accounts which have a 31st March year end date are available once agreed at the AGM held by the Company in the following January. Copies of the accounts can then be acquired upon application to the Manager, Tyne and Wear Development Company Limited, Investor House, Colima Avenue, Sunderland Enterprise Park, Sunderland SR5 3XB.

Newcastle International Airport Ltd / NIAL Holdings Ltd / NIAL Group Ltd

Under the Airports Act 1986 Newcastle International Airport became an Airport Company on 1st April 1987 and properties, rights and liabilities of the constituent local authorities were transferred to it. In consideration of this transaction the Council received an allocation of 6,161,377 £1 shares out of a total share capital of 33,395,000 with a book value of £6,161,377. As already mentioned in **Note 27a on Pages 73 to 75** to the Balance Sheet, the Council sold 49% of its shareholding to Copenhagen Airports Ltd and has retained 51% of its previous shareholding with a revised book value of £12,608,730, as this shareholding now represents 51% of NIAL Holdings Ltd share holding total of 65,480,000 which was valued at £134.0 million at that time. The valuation of NIAL Holdings Limited is reviewed annually. The reduction during 2008/2009 in the estimated valuation of the shareholding of £11.106m has been charged to the Council's Income and Expenditure Account as impairment.

A new Company known as NIAL Holdings Ltd was then established to hold all shares in Newcastle Airport Ltd and distributes 49% of any dividend to Copenhagen Airports (32,085,000 shares) and the remaining 51% to the constituent local authorities (33,395,000 shares) who collectively own a separate Company known as the Newcastle Airport Local Authority Holdings Ltd. The Council holds a 18.45% shareholding in the Newcastle Airport Local Authority Holdings Company which equates to a 9.41% shareholding in NIAL Holdings Ltd and from 2007 the other group company NIAL Group Limited .

The principal activity of Newcastle International Airport Ltd (registered 04184967) is the provision of landing services for both commercial and freight operators. There have been no trading transactions between the Council and NIAL during the year. There was no dividend declared for 2008 (2007 £Nil dividend). There are no outstanding balances owed to or from NIAL at the year end. NIAL Group Limited made a profit before tax of £2.357m (2007 loss of £0.605m) and a loss after tax of £10.227m (2007 £2.171m).

However, the company agreed to pay a dividend of £2.171m in respect of the financial year ending 31st December 2007. This was declared at a board meeting on 2nd March 2009 following a favourable court settlement in respect of the refinancing transaction dating back to

December 2006. The amount allocated to the NALA HCL was £1.107m and the Council's share was £0.204m. This figure has been included in the 2008/2009 accounts.

A request for a copy of NIAL Group Limited accounts should be made in writing to the following address:

Head of Finance, South Tyneside Council, Town Hall and Civic Offices, Westoe Road, South Shields, Tyne and Wear NE33 2RL.

Newcastle Airport Local Authority Holdings Company Ltd.

The Council's liability in this arrangement is explained below in the notes in respect of the Newcastle Airport Local Authority Holding Company Limited (NALAHCL) which retains the majority shareholding of 51%.

Notes to the Core Financial Statements (Continued)

Note 53 – Related Companies and Organisations (Continued)

The Company has a share capital of £10,000 of which the Council's holding is £1,845 or 18.45% of the total. The purpose of the company is mainly to distribute the surplus generated from NIAL Holdings Ltd and the Council's share amounts to 18.45% of the distributable amounts. These shares were purchased during 2002/2003 to reflect this shareholding, this forms part of [Note 27a, Pages 73 to 75](#) to the Balance Sheet. No losses / deficits are anticipated as these will be dealt with within the above PLC arrangements. The accounts are now prepared on a year end of 31st December to allow full consolidation with the Newcastle Airport accounts mentioned above. The accounts of the group have been audited and reported to the respective Boards.

The results of the Newcastle Airport Local Authority Holding Company Limited show that there will be no dividend paid in respect of 2008. As previously mentioned NIAL agreed to pay a dividend of £1.107m in respect of the financial year ending 31st December 2007 to LA Holding Company Ltd and the Council's share is £0.204m. The fact that no dividend is to be received for 2008 was not unexpected as this is a direct result of the refinancing exercise carried out when the Companies debt was restructured. In the future there is still the prospect of dividends but this will be based upon the future financial performance of the company.

The Council's liability in this arrangement amounts to the loss of its shareholding in the company, if the Company should ever to cease trading. However, with considerable assets available to the airport this is considered unlikely that a net liability position would emerge. The consolidated accounts of NIAL Holdings Ltd are consolidated into the accounts of Newcastle Airport Local Authority Holding Company Limited (NALAHCL) and as such a copy of these accounts can be obtained upon application to the Head of Finance, South Tyneside MBC, Town Hall and Civic Centre, Westoe Road, South Shields NE33 2RL.

Sunderland Empire Theatre Trust

The Sunderland Empire Theatre Trust is a company limited by guarantee. The principal activity of the Trust is to operate the Sunderland Theatre. The Council has 12 representatives on the Board of 17 Directors.

From 1st October 2000, the Council, with the agreement of the Trust, entered into a facilities management arrangement with Apollo Leisure for a fixed annual amount. This transferred the risk and upkeep of the premises to Apollo Leisure from the Trust, which was known as Clear Channel Entertainments but is currently known as Live Nation. The buildings, however, do remain the property of Sunderland City Council. The contract stipulates the amount to be paid by the Council to Live Nation which totalled £405,701 in 2008/2009, (£431,965 in 2007/2008). The Council as such does not therefore contribute to any losses but does benefit from any surpluses made in excess of an agreed return by the facilities management company during

its financial year's operations. The Trust monitors these arrangements and has, as a result, incurred minimal costs each year. If the agreement was ever terminated then the assets of the Theatre remain with the Council and the only liability would be to meet any costs of the Trust which are considered minimal.

In 2008/2009 the turnover of the Trust was under £30,000 and as such audited accounts are not required. The Trust however made a small surplus of £351 in 2008/2009 (surplus of £182 for 2007/2008) in year which will increase its reserves to meet future costs. Its reserves as at 31st March 2009 now stand at £7,020 (£6,669 restated as at 31st March 2008). In 2008/2009 the Council made a contribution of £26,340 (£27,750 for 2007/2008) to the Trust and the Council also has to meet its own obligations in the form of the upkeep of the building to which the Trust has no liability.

Notes to the Core Financial Statements (Continued)

Note 53 – Related Companies and Organisations (Continued)

A copy of the Trust accounts can be obtained from the Director of Financial Resources, Sunderland City Council, Civic Centre, P.O. Box 106, Sunderland, SR2 7DN.

The Accounting Code of Practice 1996 introduced new requirements where a local authority has interests in companies, to determine whether group accounts are required. There are two main considerations in such determination:

- Materiality
- Whether such companies would be regarded as subsidiary and associated companies under the Companies Act

The Companies referred to above do not meet the above criteria and consequently group accounts have not been prepared in line with the Statement of Accounting Policies (Page 28) and the new requirements that applied from 1st April 2004.

Note 54 – Contingent Liabilities

Like most other local authorities there are a number of part-time pension cases which have been pending for some time. A number of test cases have now been decided and the process of applying the principles determined in the test cases to the claims commenced against the Council is now underway. Potential payments are anticipated not to exceed £0.250m.

During 1992/1993 the Council's insurers, Municipal Mutual Insurance, ceased accepting new business. The Council has a number of outstanding claims with MMI and arrangements are in place to try and ensure an orderly settlement of the sums due. Potential losses on insurance settlements are estimated at £0.656m (which represents 10% of the paid and outstanding claims currently being dealt with by MMI). The position with MMI and the level of claims is reviewed annually by the council and as a result no provision or reserve is considered necessary at this point as a solvent run off of MMI claims is anticipated.

The City Council, together with the other Tyne and Wear Districts, are guarantors to the Tyne and Wear Pension Fund in respect of employees of the North East Regional Assembly and the Association of North East Councils.

The City Council acts as a guarantor for No Limits Theatre Company to the Tyne and Wear Pension Fund in respect of pensions for transferring employees.

In June 2005, the Council via Government Office North East (GONE), received a European Court of Auditors (ECA) report which indicated some technical issues had been found in respect of the Sunderland ARC feasibility study project grant claim. The Council responded to these issues and has had confirmation that the maximum possible loss of grant will now not exceed £107,000. The Council is in discussions with GONE and has provided more detailed information in respect of the dispute and although there is the prospect of reducing the loss further the outcome is uncertain at this point in time. The Council has also responded by putting in place corrective action so as to prevent a re-occurrence of the issues raised by ECA and is currently awaiting a final decision from GONE on the grant.

Future possible payments may be required to Gentoo (formerly the Sunderland Housing Group) under the terms of the Transfer Agreement established between the Council and Gentoo for claims relating to non environmental and environmental warranties. This agreement was drawn up as part of the Large Scale Voluntary Transfer which took place on 26th March 2001 which transferred all Council Housing and related assets to Gentoo. The amount included in the Agreement stipulates that the Council's maximum liability to the Group in respect of all claims howsoever made shall not exceed in aggregate the sum of £240.0m and as yet no claims have been made.

Notes to the Core Financial Statements (Continued)

Note 54 – Contingent Liabilities (Continued)

The Council also acts as a guarantor for those employees that were employed originally by the Council but transferred to the Sunderland Housing Group, (now known as Gentoo), on the basis that basic pension only would be funded (no added years). This is a diminishing potential liability, however, as staff turnover occurs and transferred staff retire.

A revised claim was received from Pyeroy of approximately £0.395m, (previously £0.260m), in respect of the Wearmouth Bridge Works which were completed in August 2003. The dispute has already been considered by an Adjudicator who dismissed Pyeroy's claim; however they have referred the dispute to formal arbitration. The Council continues to resist Pyeroy's claim and has already sought advice from Queens's counsel on this matter. The Council is reasonably confident Pyeroy will not succeed but it is still however considered prudent to disclose a contingent liability in the accounts in case the Council loses the action. A claim was received from Mowlem PLC, now known as Carillion, of approximately £1.000m in respect of the Queen Alexandra Bridge works which were completed in October 2006. This dispute has already been considered and rejected by an adjudicator and Carillion has served notice of their intention to refer the dispute for arbitration. Resolution of the final account for the contract is on-going however the contractor recently indicated to the council in early September 2009 that it is seeking a payment in the order of £0.600m. The council continues to reject the claim on the basis that the works were required to meet the contracted standard. Both of these claims continue to be resisted and in the light of the position with each dispute and the Council's best estimate of the assessed combined potential liability, should the Council lose these actions, is considered to be £0.800m plus potential costs.

The Council has a number of outstanding equal pay claims which are seeking financial redress in respect of periods when unequal pay is alleged to have been applied by the Council. The Council has settled a large number of claims by making compensation payments, and has also made compensation payments to non claimants who have the same circumstances as those claimants to whom compensation payments have been made. The Council is currently engaged in proceedings in relation to other claims made but not yet settled and has therefore set up a reserve to meet or assist in meeting these future potential liabilities. The Council continues to strenuously resist the claims made and has taken advice from leading Counsel. However, if the Council were to lose cases there could be a significant financial impact on the Council. These claims can not be assessed or quantified at this time.

The Council as the accountable body for URBAN II grant funding is responsible for all grant claims and as such must repay any ineligible grant as a consequence of this responsibility. As part of its role, therefore, it carries out Article 4 visits to ensure grant funding is being properly spent by those awarded this grant, on eligible schemes. These visits have now been fully completed and they have uncovered a range of technical issues which have been found in respect of URBAN II grant claims, which could result in a potential loss of grant funding of up to £0.132m (the worst case position at this point in time). There are, however, a number of factors that still could affect the final position and these issues and actions are currently being considered by the Council in order to reduce the final outcome. It is thus very difficult to assess the precise outcome at this stage as a number of other factors could still change the final position and the above figure can only represent the best estimate available.

Notes to the Core Financial Statements (Continued)

Note 55 – Trust Funds`

The Council is responsible for the administration of a number of trust funds on behalf of their specified trustees. These funds do not represent assets of the Council and are therefore not included in the Council's Balance Sheet. At 31st March 2008 the Council was responsible for 42 of these funds (40 relating to Children's Services and 2 relating to Adult Social Services), details of which are shown below.

	Restated Balance at 01/04/2008 £	Additions during the year £	Income £	Expenditure £	Balance at 31/03/09 £
Children Services Trust Funds	174,814	0	43,920	65,478	153,256
Adults Services Fund	71,103	0	1,848	1,600	71,351
	245,917	0	45,768	67,078	224,607

Note 56 – Contingent Assets

The Council has a number of outstanding VAT claims lodged with Revenues and Customs in relation to overpaid output tax, the value of these claims amount to £4,767,185. However as there is no indication of the likelihood of these claims being paid they have been reflected as a contingent asset.

Note 57 – Post Balance Sheet Events

Non adjusting events

The Dedicated School Grant (DSG) statement within the accounts shows an unallocated contingency sum of £152,047. The School Forum at its meeting on the 21st May 2009 agreed to distribute this sum to schools based on pupil numbers in 2009/2010.

The Council entered into a Guarantee Bond with NSL Limited to guarantee the pension rights of those employees who transferred to the Council from NSL Limited. No adjustments have been made within the Council's Statement of Accounts as the value of the Guarantee Bond is only £53,700 and the likelihood of default is considered remote. In accordance with the SORP only the value of the guarantee payable has to be accounted for. In this case the value has been assessed as being below £2,700.

Four new secondary schools (Academy 360, Castle View Enterprise Academy, Red House Academy and Washington School) are included at £56.809m in the Balance Sheet as at 31st March 2009 under Non Operational Assets - Assets Under Construction. The schools have now been completed and they opened to pupils for the autumn term beginning in September 2009. The schools will transfer to Operational Assets – Land and Buildings in 2009/2010.

Adjusting event

Since the accounts were prepared the council has become aware of a significant increase in both the number of insolvencies and those companies likely to become insolvent because of the economic climate. This, together with the fact that the council has also reviewed the methodology and processes used to assess bad debts for business rates as at 31st March 2009 has required the bad debts provision to be increased for 2008/2009 by £0.558m to an amended total of £0.636m in the accounts. This amount will, however, be reclaimed from central government in accordance with the financial arrangements for business rates operated by the government.

Notes to the Core Financial Statements (Continued)

Notes to the Cash Flow Statement

Note 58 – Reconciliation of Revenue Activities

The net Cash Flow can be reconciled to the Income and Expenditure Account as follows:

	2008/2009		2007/2008 (Restated)	
	£	£	£	£
(Surplus)/Deficit per Income and Expenditure Account		24,031,523		71,351,235
Non Cash Transactions				
Depreciation, Impairment and Government Grants Deferred Amortisation		(55,691,578)		(51,684,670)
Deferred charges written to revenue		(5,764,135)		(5,685,085)
Direct Revenue Financing		12,294,721		4,804,222
Net Movement on Reserves and Provisions		(17,735,227)		(23,026,113)
Pension interest cost and expected return on pension fund assets		15,190,000		6,120,000
Other		1,006,621	(50,699,598)	611,445
				(68,860,201)
Items on an accruals basis				
Increase / (Decrease) in Debtors		(1,505,269)		(12,817,452)
(Increase) / Decrease in Creditors		10,128,217	8,622,948	(21,999,888)
Net Cash Flow from Revenue Activities		(18,045,127)		(32,326,306)

Note 59 – Increase / (Decrease) in Cash

	31/03/2009	31/03/2008	Movement	Movement
	£	£	2008/2009	2007/2008
Cash in Hand	785,205	870,844	85,639	76,832
Cash in School Bank Accounts	1,063,569	1,549,882	486,313	63,866
Cash Overdrawn	(11,426,983)	(17,086,306)	(5,659,323)	1,420,282
	(9,578,209)	(14,665,580)	(5,087,371)	1,560,980

Note 60 – Increase / (Decrease) in Liquid Resources

	31/03/2009	31/03/2008	Movement	Movement
	£	£	2008/2009	2007/2008 Restated
Short Term Deposits	135,109,765	189,406,351	(54,296,586)	9,690,236
Net Movement	135,109,765	189,406,351	(54,296,586)	9,690,236

Note 61 – Increase / (Decrease) in Financing

	31/03/2009	31/03/2008	Movement	Movement
	£	£	2008/2009	2007/2008
Long Term Borrowing	(139,092,938)	(169,172,653)	30,079,715	4,992,979
Short Term Borrowing	(32,241,271)	(35,110,213)	2,868,942	(6,513,653)
Net Movement	(171,334,209)	(204,282,866)	32,948,657	(1,520,674)

Notes to the Core Financial Statements (Continued)

Note 62 – Reconciliation of Net Cash Movement to Movement in Debt

	2008/2009 £	2007/2008 £
Decrease in cash during the year - Note 57	5,087,371	(1,560,980)
Decrease in liquid resources - Note 58	(54,296,586)	96,903,236
Decrease in financing - Note 59	32,948,657	(1,520,674)
	(16,260,558)	93,821,582
Represented by movement in:		
Net Debt at 1 April	(29,542,095)	(123,363,677)
Net Debt at 31 March	(45,802,653)	(29,542,095)
	16,260,558	93,821,582

Note 63 – Analysis of Other Government Grants

Government grants presented on the following table are on a cash received basis.

Notes to the Core Financial Statements (Continued)

Note 63 – Analysis of Other Government Grants (Continued)

	2008/2009	2007/2008
	£	£
Revenue Support Grant	18,507,022	20,303,425
Redistributed National Non Domestic Rates	132,944,980	120,982,887
Area Based Grant	23,784,617	0
Local Area General Grants	0	1,597,833
Local Authority Business Growth Incentive Grant	272,850	306,381
Accountable Bodies Grants - New Deal for Communities etc	9,262,543	8,532,579
Housing Benefit Administration Subsidy	3,856,096	3,938,447
Council Tax Benefit Grant	24,174,124	22,854,342
House Benefit Rent Allowance Subsidy	92,040,246	85,227,327
Housing Benefit Overpayments Grant	526,941	514,089
Housing Benefit Incentive Grants	21,969	14,853
Home Office Grants	288,317	818,911
Safer and Stronger Communities	281,000	0
European Grants	151,674	516,895
Local Public Service Agreements	1,776,277	(22,410)
PFI Grant	3,733,748	3,733,748
Neighbourhood Renewal Fund	391,331	4,626,420
DCMS Free Swim Grant	85,036	0
DoT Local Transport Plan Grant	392,587	0
Homes and Communities Agency / English Partnerships	3,830,175	742,805
Single Housing Investment Pot	2,177,451	2,938,808
Disabled Facilities Grant	1,025,000	912,000
New Opportunities Fund	191,187	56,848
Youth Opportunities Fund	312,785	241,215
Sports England	1,628,459	1,225,679
Heritage Lottery Fund	5,033	292,792
One North East	581,728	363,699
Education:		
Schools Grant	158,861,000	158,576,000
Standards Fund	31,801,369	27,960,552
Supporting Children and Young People Group - Connexions	1,675,488	12,506,819
Youth Capital Fund	173,800	221,597
Positive Activities for Young People	100,000	335,729
Empowering Young People	866,972	649,982
Parenting Grant	294,833	151,223
Diploma Formula Grant	171,684	0
Play Pathfinder Grant	138,840	0
Other	117,789	35,054
Social Services - Department of Health Grants:		
Modernisation Fund - Adults	0	4,197,186
Modernisation Fund - Children's	0	3,139,211
Supporting People Services	11,263,297	11,502,879
Asylum Seekers	212,588	99,408
Sure Start	10,943,846	11,173,667
Youth Offending Service - Youth Justice Board Grants	1,677,651	1,547,770
Access	0	3,753,307
Improving the Care Home Environment	0	525,000
Social Care Reform Grant	554,000	0
Adult Stroke Grant	100,000	0
Mental Capacity Grant	282,148	0
Learning Disability Grants	314,858	0
Other	116,703	1,443,849
Other	298,274	300,325
Total	542,208,316	518,839,131

Supplementary Statement

The Collection Fund Account for Year Ended 31 March 2009

	Note	2008/2009		2007/2008	
		£	£	£	£
Income					
Council Tax	64		103,655,307		100,358,056
Government Grants	67		(2,628)		(2,015)
Income from Business Rates	65		74,489,457		70,782,440
			<u>178,142,136</u>		<u>171,138,481</u>
Expenditure					
Precepts and Demands:					
City of Sunderland		91,200,867		87,788,757	
Tyne and Wear Fire and Rescue Authority		5,762,913		5,599,966	
Northumbria Police		6,298,414	103,262,194	5,974,679	99,363,402
Business Rates - Payment to pool	65	73,356,027		70,174,032	
Business Rates - Cost of collection and other allowances.	65 & 66b	1,133,430	74,489,457	608,408	70,782,440
Amounts Written Off:					
Council Tax	66a		563,666		322,573
Provision for uncollectable amounts:					
Council Tax			192,368		585,230
			<u>178,507,685</u>		<u>171,053,645</u>
Net Income (Deficit) for the Year			(365,549)		84,836
Add balance b/fwd from previous year			1,031,287		1,446,451
Less Amounts transferred to General Fund					
Council Tax Surplus			(500,000)		(500,000)
Fund Balance Carried Forward at 31 March	68		165,738		1,031,287

Notes to the Collection Fund Account

Note 64 – Income from Council Tax

Council Tax income derives from charges raised according to the value of residential properties. All properties are classified into 8 valuation bands. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council and dividing this by the Council Tax Base. This basic amount of Council Tax for a Band D property £1,288.75 for 2008/2009, (£1,246.52 for 2007/2008), is multiplied by the proportion specified for the particular band to give an individual amount due.

Council Tax bills are based on the following proportions:

Band	Proportion
A	0.67
B	0.78
C	0.89
D	1.00
E	1.22
F	1.44
G	1.67
H	2.00

The calculation of the estimated, adjusted Band D is shown below and gives the amount of Council Tax which would be raised over each Band for every £1 of Council Tax charged by the Council. This is more commonly known as the Council Tax Base.

Band	2008/2009	2007/2008
	£ p	£ p
A	43,816.67	43,810.54
B	11,139.31	10,907.21
C	12,318.17	12,307.93
D	7,283.61	7,177.77
E	3,268.73	3,240.59
F	1,298.77	1,274.00
G	886.90	876.29
H	23.52	26.46
	80,035.68	79,620.79

The income of £103,655,307 for 2008/2009, (£100,358,056 for 2007/2008), is receivable from the following sources:

	2008/2009	2007/2008
	£	£
Billed to Council Tax Payers	79,642,683	77,444,776
Council Tax Benefits	24,012,624	22,913,280
Total	103,655,307	100,358,056

Notes to the Collection Fund Account (Continued)

Note 65 – Income from (National Non Domestic Rates) Business Rates

Under the revised arrangements for business rates, the Council collects business rates for its area which are based on local rateable value multiplied by a uniform rate. The total amount, less certain reliefs and other deductions is paid to a central pool managed by Central Government. The contribution due from the Council to the National Non Domestic Rates Pool for 2007/2008 can be analysed as follows:

	2008/2009		2007/2008	
	£	£	£	£
Gross Rates Collectable		74,489,457		70,782,440
Less:				
Costs of Collection Allowance	(331,599)		(328,620)	
Other Allowances and Adjustments Reclaimable	(179,229)		(130,575)	
Amounts Written Off	(622,602)	(1,133,430)	(149,213)	(608,408)
Amount Payable to Pool		73,356,027		70,174,032

Central Government, in turn, pays back to authorities their share of the pool based on a standard amount per head of the local adult population. For 2008/2009 the Council received a contribution from the pool of £132,944,980 which is payable directly to the General Fund, (in 2007/2008 this figure was £120,982,887).

The Total Business Rateable value as at 31 March 2009 was £184,129,361, (the value as at 31st March 2008 was £185,561,337). The Business Rates Multiplier (poundage) for 2008/2009 was 46.2 pence compared to the previous years figure of 44.4 pence. For businesses that qualified for small business relief the Business Rate Multiplier was 45.8 pence in 2008/2009, (compared to the 44.1 pence in 2007/2008).

Note 66 – Amounts Written Off During The Year

a) Council Tax

Once all actions to recover outstanding debt have been exhausted, the Council will write off uncollectable debt in accordance with proper accounting practice. In 2008/2009 £563,666 (£322,573 for 2007/2008) was written off with most of the sums involved relating to bankruptcy, death and where all actions have failed to collect the debt over a period of years. It should be noted that the amounts written off were already included in the accounts as a provision for bad debts, and as such does not impact on the Precepting Authorities resources. To put this figure into context, the amount written off compared to the collectable Council Tax for 2008/2009 represents less than 0.55% (2007/2008 this was 0.32%) of the total sum.

b) Business Rates

In 2008/2009 £622,602 was written off, (2007/2008 £149,213), with most of the sums involved relating to bankruptcy, death and where all actions have failed to collect the debt over a period of years. It should be noted that the amounts written off were already included in the accounts as a provision for bad debts, and as such does not impact on the Precepting Authorities resources. To put this figure into context, the amount written off compared to the collectable Business Rates for 2008/2009 represents less than 0.84% (2007/2008 this was 0.21%) of the total sum.

Note 67 – Government Grants

	2008/2009	2007/2008
	£	£
Transitional Relief Grant	(2,628)	(2,015)

Notes to the Collection Fund Account (Continued)

Note 68 – Fund Balance

The fund balance can be analysed as follows:

	2008/2009 £	2007/2008 £
Sunderland City Council	146,379	911,154
Northumbria Police Authority	10,109	62,011
Tyne and Wear Fire and Rescue Authority	9,250	58,122
Total Collection Fund Balance	165,738	1,031,287

The amounts of the Collection Fund balance relating to the Northumbria Police Authority and the Tyne and Wear Fire and Rescue Authority are shown in the Balance sheet as creditors, as the amounts of £10,109 and £9,250 are effectively owed to these authorities. The amount of the Collection Fund balance relating to the Council of £146,379 is shown in Reserves which forms part of the Net Worth of the Council in the Balance Sheet.

